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

Amendment No. 2
to
Form S-1

REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

Motus GI Holdings, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

3841
(Primary Standard Industrial
Classification Code Number)

81-4042793
(I.R.S. Employer
Identification No.)

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*(Address, including zip code, and telephone number,
including area code, of principal executive offices)*

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Approximate date of proposed sale to public: As soon as practicable on or after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. []

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

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 definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer []

Accelerated filer []

Non-accelerated filer [] (Do not check if a smaller reporting company)

Smaller reporting company [X]

Emerging growth company [X]

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 7(a)(2)(B) of the Securities Act. [X]

CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to Be Registered | Proposed Maximum Aggregate Offering Price(1) | Amount of Registration Fee(2) |
|---|---|--------------------------------------|
| Common Stock, par value \$0.0001 per share | \$ 34,212,500 | \$ 4,260 |

- (1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933.
- (2) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price of the securities registered hereunder to be sold by the registrant. Includes the offering price of shares that the underwriters have the option to purchase to cover over-allotments, if any. The Registrant previously paid \$3,579.38 of this amount in connection with the initial filing of this Registration Statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to such Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the Securities and Exchange Commission declares our registration statement effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any state where the offer or sale is not permitted.

Preliminary Prospectus

Subject to Completion, dated January 31, 2018

Motus GI Holdings, Inc.



**4,250,000 Shares
Common Stock**

This is Motus GI Holdings, Inc.'s initial public offering. We are selling 4,250,000 shares of our common stock.

We expect the public offering price to be between \$ 5.00 and \$ 7.00 per share. Currently, no public market exists for the shares. After pricing of the offering, we expect that the shares will trade on the Nasdaq Capital Market under the symbol "MOTS."

We are an "emerging growth company" under the federal securities laws and, as such, we intend to comply with certain reduced public company reporting requirements. See "Prospectus Summary—Implications of Being an Emerging Growth Company"

Investing in our common stock involves risks that are described in the "Risk Factors" section beginning on page 7 of this prospectus.

| | Per Share | Total |
|----------------------------------|------------------|--------------|
| Public offering price | \$ | \$ |
| Underwriting discount(1) | \$ | \$ |
| Proceeds, before expenses, to us | \$ | \$ |

(1) We refer you to "Underwriting" beginning on page 91 of this prospectus for additional information regarding total underwriter compensation.

The underwriters may also exercise their option to purchase up to an additional 637,500 shares from us at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus.

In addition to the shares reserved for the directed share program described below, all of our directors and executive officers, and certain of our existing stockholders, including Perceptive Life Sciences Master Fund Ltd., and stockholders affiliated with certain of our directors, have indicated an interest in purchasing up to an aggregate of approximately \$ 7.5 million in shares of our common stock in this offering at the initial public offering price. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters could determine to sell more, less or no shares to any of these potential investors and any of these potential investors could determine to purchase more, less or no shares in this offering.

At our request, the underwriters have reserved for sale at the initial public offering price up to 212,500 shares of our common stock, or approximately five percent (5%) of the shares offered by this prospectus, for our employees and other persons associated with us. The number of shares of our common stock available for sale to the general public in this offering will be reduced by the number of shares sold pursuant to the directed share program. Any directed shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus. The directed share program will be arranged through Piper Jaffray & Co.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares against payment therefor on or about _____, 2018.

Piper Jaffray

Oppenheimer & Co.

The date of this prospectus is _____, 2018.

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You should rely only on the information contained in this prospectus and any related free writing prospectus that we may provide to you in connection with this offering. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

For investors outside the United States: neither we nor any of the underwriters has done anything that would permit this offering or possession or distribution of this prospectus or any free writing prospectus we may provide to you in connection with this offering in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus and any such free writing prospectus outside of the United States.

In this prospectus, we rely on and refer to information and statistics regarding our industry. We obtained this statistical, market and other industry data and forecasts from publicly available information.

PROSPECTUS SUMMARY

*This summary highlights information contained in other parts of this prospectus. Because it is a summary, it does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, **you should read the entire prospectus carefully, including our consolidated financial statements and the related notes included in this prospectus and the information set forth under the headings “Risk Factors” on page 7 and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page 37.***

When used herein, unless the context requires otherwise, references to the “Company,” “Holdings,” “we,” “our” and “us” refer to Motus GI Holdings, Inc., a Delaware corporation, collectively with our direct wholly-owned subsidiaries, Motus GI Medical Technologies, Ltd., an Israeli corporation, and Motus GI, Inc., a Delaware corporation.

All trademarks or trade names referred to in this prospectus are the property of their respective owners. Solely for convenience, the trademarks and trade names in this prospectus are referred to without the ® and ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend the use or display of other companies’ trademarks and trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

Our Company

General

We have developed a single-use medical device system (the “Pure-Vu system”), cleared by the United States Food and Drug Administration (the “FDA”), that is intended to connect to standard colonoscopes to help facilitate intraprocedural cleaning of a poorly prepared colon by irrigating or cleaning the colon and evacuating the irrigation fluid (water), feces and other bodily fluids and matter. The Pure-Vu system has been designed to integrate with standard colonoscopes to enable cleaning during the procedure while preserving standard procedural workflow and techniques. Our Pure-Vu system and the procedure to cleanse the colon in preparation for colonoscopy are not currently reimbursable through private or governmental third-party payors in any country, but we intend to seek reimbursement through private or governmental third-party payors in the future. We do not currently promote a particular prep regimen as this is left up to the discretion of the physician since our current indication does not reference any preparation protocol. We will look to expand the Pure-Vu system indication to allow us to actively promote minimal prep capabilities directly to patients. We plan to initiate a clinical trial in 2018 that should facilitate approval of expanded labeling in 2019. To date, as part of our limited pilot launch, we have focused on collecting clinical data on the use of the Pure-Vu system. We do not expect to generate significant revenue from product sales unless and until we expand our commercialization efforts.

Our business was founded within the New Generation Technology (“NGT”) incubator based in Nazareth, Israel in 2008 to develop innovative endoscopy technologies, and in 2011, the business was spun out into a new company focused exclusively on the development of the Pure-Vu system. We initiated preclinical testing in 2011 and started clinical testing of the first prototype version of the Pure-Vu system in Europe in late 2012. In clinical studies performed in Europe and Israel from 2012 through the second quarter of 2017, the Pure-Vu system and earlier prototype versions have demonstrated effective cleaning in over 175 patients that followed a significantly reduced pre-procedural colonoscopy preparation regimen, as compared to current prep regimens.

The Share Exchange Transaction

Effective on December 1, 2016, Motus GI Medical Technologies Ltd., an Israeli Company (“Opco”), and the holders of all issued and outstanding shares of capital stock of Opco (the “Opco Stockholders”), entered into a share exchange agreement (the “Share Exchange Agreement”) with us. Pursuant to the terms of the Share Exchange Agreement, as a condition of and contemporaneously with the initial closing (the “Initial Closing”) of the private placement offering of units we conducted from December 2016 to February 2017 (the “2017 Private Placement”), the Opco Stockholders sold to us, and we acquired, all of the issued and outstanding shares of capital stock of Opco (the “Share Exchange Transaction”) and Opco became our direct wholly-owned subsidiary. Pursuant to the Share Exchange Transaction (i) the Opco Stockholders received an aggregate of 4,000,000 shares of our common stock in exchange for all of the issued and outstanding shares of capital stock of Opco, (ii) the Convertible Notes (as defined below) and the Convertible Note Warrants (as defined below) were exchanged for our securities, as described below, and (iii) all of the issued and outstanding options to purchase or otherwise acquire shares of Opco capital stock that were outstanding and unexercised as of immediately prior to the Initial Closing were substituted for 125,730 options to acquire shares of our common stock pursuant to our 2016 Equity Incentive Plan at exercise prices ranging from \$2.38 to \$2.52 (see “Business – Our Formation – The Share Exchange Transaction” and “Executive Compensation—2016 Equity Incentive Plan”).

Our Risks

An investment in our common stock involves a high degree of risk. You should carefully consider the risks summarized below. These risks are discussed more fully in the “Risk Factors” section of this prospectus on page 7 herein. These risks include, but are not limited to, the following:

- We have incurred operating losses in each year since our inception and expect to continue to incur substantial losses for the foreseeable future. We may never become profitable or, if achieved, be able to sustain profitability;
- If this offering is not successful, there is substantial doubt about our ability to continue as a going concern;

- We may be unable to obtain or maintain governmental approvals to market our Pure-Vu system outside the United States, including the European Union countries;
- Our Pure-Vu system is not currently reimbursable through private or governmental third-party payors, which could limit market acceptance;
- The Pure-Vu system may not be accepted by physicians and patients;
- Our Pure-Vu system is currently our sole product and we are completely dependent on the successful marketing and sale of this product. There is no assurance that we will be able to develop any additional products;
- We may be unable to protect our intellectual property rights or may infringe on the intellectual property rights of others;
- The manufacture of our Pure-Vu system, and the technology developed thereunder, is subject to certain Israeli government regulations which may impair our ability to outsource or transfer development or manufacturing activities with respect to any product or technology outside of Israel;
- We may face competition from other medical device companies in the future and our operating results will suffer if we fail to compete effectively; and
- We currently have a limited sales and marketing organization. If we are unable to secure a sales and marketing partner and/or establish satisfactory sales and marketing capabilities, we may not successfully commercialize our Pure-Vu system.

Implications of Being an Emerging Growth Company

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”), and, for as long as we continue to be an “emerging growth company,” we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to “emerging growth companies,” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, (the “Sarbanes-Oxley Act”), reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an “emerging growth company” for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed \$1.07 billion, (ii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, which would occur if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter, or (iii) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three-year period. We intend to take advantage of these reporting exemptions described above until we are no longer an “emerging growth company.” Under the JOBS Act, “emerging growth companies” can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not “emerging growth companies.”

Corporate Information

We are a Delaware corporation formed in September 2016 under the name Eight-Ten Merger Corp. In November 2016, we changed our name to Motus GI Holdings, Inc. We are the parent company of Motus GI Medical Technologies Ltd., an Israeli corporation, and Motus GI, Inc. a Delaware corporation.

Our principal executive offices are located at Keren Hayesod 22, Tirat Carmel, Israel, 3902638. Our web address is www.motusgi.com. Information contained in or accessible through our web site is not, and should not be deemed to be, incorporated by reference in, or considered part of, this prospectus. You should not rely on our website or any such information in making your decision whether to purchase our common stock.

“Motus GI,” “Pure-Vu,” and our other registered or common law trademarks, service marks or trade names appearing herein are the property of Motus GI Holdings, Inc. Some trademarks referred to in this prospectus are referred to without the ® and ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend the use or display of other companies’ trademarks and trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

THE OFFERING

The following summary contains basic information about this offering. The summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this prospectus.

| | |
|---|--|
| Common Stock offered by us | 4,250,000 shares |
| Common Stock to be outstanding after this offering | 16,322,972 shares (16,960,472 shares, if the underwriters exercise their option to purchase additional shares in full) |
| Underwriters' option to purchase additional shares from us | 637,500 shares |
| Use of Proceeds | We estimate that we will receive net proceeds from this offering of approximately \$ 22.6 million, or approximately \$ 26.4 million if the underwriters exercise their overallotment option in full, based upon an assumed initial public offering price of \$ 6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus) and after deducting the underwriting discounts and commissions and estimating offering expenses payable by us. We intend to use the net proceeds from this offering to fund commercialization activities related to our Pure-Vu system and our research and development activities (including clinical and regulatory development and the continued development and enhancement of our Pure-Vu system), as well as for working capital and other general corporate purposes. See the section entitled "Use of Proceeds" for a more complete description of the intended use of proceeds from this offering. |
| Dividend Policy | We have never declared or paid any cash dividends on our common stock, and currently do not plan to declare cash dividends on shares of our common stock in the foreseeable future. We expect that we will retain all of our available funds and future earnings, if any, for use in the operation and expansion of our business. See "Dividend Policy" for a more complete description of our dividend policy. |
| Risk Factors | An investment in our company is highly speculative and involves a significant degree of risk. See "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock. |
| Proposed Nasdaq Capital Market symbol | "MOTS" |
| Directed Share Program | At our request, the underwriters have reserved for sale at the initial public offering price up to 212,500 shares of our common stock, or approximately five percent (5%) of the shares offered by this prospectus, for our employees and other persons associated with us. The number of shares of our common stock available for sale to the general public in this offering will be reduced by the number of shares sold pursuant to the directed share program. Any directed shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus. The directed share program will be arranged through Piper Jaffray & Co. |

In addition to the shares reserved for the directed share program described above, all of our directors and executive officers, and certain of our existing stockholders, including Perceptive Life Sciences Master Fund Ltd., and stockholders affiliated with certain of our directors, have indicated an interest in purchasing up to an aggregate of approximately \$ 7.5 million in shares of our common stock in this offering at the initial public offering price. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters could determine to sell more, less or no shares to any of these potential investors and any of these potential investors could determine to purchase more, less or no shares in this offering.

The number of shares of our common stock to be outstanding after this offering is based on 12,072,972 shares of common stock outstanding as of September 30, 2017 and excludes:

- 1,836,845 shares of our common stock issuable upon the exercise of outstanding stock options issued under our equity incentive plan as of September 30, 2017, at exercise prices ranging from \$2.38 to \$4.50 per share, following the modification of share-based payment awards on September 29, 2017, and 47,000 shares of our common stock issuable upon the exercise of outstanding stock options issued under our equity incentive plan after September 30, 2017, at an exercise price equal to the offering price per share in this offering, and 80,715 shares of our common stock issuable upon the exercise of outstanding stock options issued under our equity incentive plan forfeited after September 30, 2017;

- 168,373 additional shares of our common stock reserved for future issuance under our 2016 Equity Incentive Plan as of September 30, 2017;
- 629,594 additional shares of our common stock reserved for future issuance under our 2016 Equity Incentive Plan resulting from the annual increase in the number of shares of our common stock available for issuance under the 2016 Equity Incentive Plan as of January 1, 2018 (see “Executive Compensation - Description of the 2016 Equity Incentive Plan - Shares Subject to the 2016 Plan”).
- 907,237 shares of our common stock issuable upon the exercise of the Exchange Warrants (defined below, see “Business - Exchange of Convertible Note Warrants”), at an exercise price of \$5.00 per share;
- 403,632 shares of our common stock issuable upon the exercise of the Placement Agent Warrants (defined below, see “Description of Securities – Warrants – Placement Agent Warrants”), at an exercise price of \$5.00 per share;
- 1,389 shares of our common stock issued to a service provider in October 2017;
- 30,000 shares of our common stock issuable upon the exercise of a consultant warrant, at an exercise price of \$8.00 per share; and
- 1,095,682 shares of our common stock issuable upon the exercise of the Ten Percent Warrants (defined below, see “Description of Securities – Warrants”), at an exercise price equal to the offering price per share in this offering, to be issued upon completion of this offering.

Unless otherwise indicated, all information in this prospectus reflects or assumes the following:

- no issuance or exercise of stock options or warrants on or after September 30, 2017 (except for the issuance of 47,000 shares of our common stock issuable upon the exercise of outstanding stock options issued under our equity incentive plan after September 30, 2017, at an exercise price equal to the offering price per share in this offering);
- no exercise by the underwriters of their option to purchase up to an additional 637,500 shares of common stock in this offering; and
- the conversion of all of our outstanding shares of our convertible preferred stock, par value \$0.0001 (the “Series A Convertible Preferred Stock”), into an aggregate of 1,581,128 shares of common stock upon the consummation of this offering.

SUMMARY FINANCIAL DATA AND PRO FORMA FINANCIAL DATA

The following tables present, as of the dates and for the periods indicated, our summary historical financial data and certain pro forma financial data, as indicated therein. We derived the following summary of our consolidated statement of comprehensive loss data for the years ended December 31, 2015 and 2016 from our audited consolidated financial statements that are included elsewhere in this prospectus. Our financial statements are prepared and presented in accordance with generally accepted accounting principles in the United States. The summary financial data as of September 30, 2017 and for the nine months ended September 30, 2017 and 2016 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. These unaudited condensed consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements and, in our opinion, all adjustments, consisting only of normal recurring adjustments that we consider necessary for a fair presentation of such financial data. Our historical results are not indicative of the results to be expected in the future and our interim results are not necessarily indicative of results to be expected for the full year ending December 31, 2017, or any other period. The unaudited pro forma adjustments are based upon available information and certain assumptions we believe are reasonable under the circumstances.

The following summary financial data should be read in conjunction with, and are qualified in their entirety by reference to, "Use of Proceeds," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes included elsewhere in this prospectus.

| | Nine Months Ended September 30, | | Year Ended December 31, | |
|---|---|-----------|-------------------------|-----------|
| | 2017 | 2016 | 2016 | 2015 |
| | (unaudited) | | | |
| | (in thousands, except share and per share data) | | | |
| Consolidated Statements of Comprehensive Loss Data: | | | | |
| Revenue | \$ 17 | \$ - | \$ - | \$ - |
| Cost of revenue | 19 | - | - | - |
| Gross loss | (2) | - | - | - |
| Operating expenses: | | | | |
| Research and development expenses, net | 2,699 | 2,381 | 3,079 | 3,160 |
| Sales and marketing expenses | 1,603 | 653 | 1,034 | 415 |
| General and administrative expenses | 4,922 | 1,278 | 1,894 | 1,750 |
| Other income | (15) | - | - | - |
| Operating loss | 9,211 | 4,312 | 6,007 | 5,325 |
| Financing expenses, net | 216 | 915 | 1,966 | 637 |
| Loss before income taxes | 9,427 | 5,227 | 7,973 | 5,962 |
| Income tax expenses | - | - | 50 | 29 |
| Net loss for the year | \$ 9,427 | \$ 5,227 | \$ 8,023 | \$ 5,991 |
| Weighted average number of common shares outstanding used in computing basic and diluted loss per share (*) | 10,288,895 | 940,028 | 1,146,028 | 940,028 |
| Basic and diluted loss per common share | \$ (0.92) | \$ (5.56) | \$ (7.00) | \$ (6.37) |
| Pro forma weighted average number of common shares outstanding used in computing basic and diluted loss per share (unaudited) (1) | 11,816,616 | | 1,179,311 | |
| Pro forma basic and diluted loss per common share (unaudited) (1) | \$ (0.80) | | \$ (6.80) | |

(1) Pro forma basic and diluted net loss per share were computed to give effect to the conversion of all of our outstanding shares of Series A Convertible Preferred Stock into an aggregate of 1,581,128 and 1,214,845 shares of common stock as of September 30, 2017 and December 31, 2016, respectively, using the as-if converted method as though the conversion had occurred as of the beginning of the period or the original date of issuance, if later.

| | As of September 30, 2017 | | |
|--------------------------------------|--------------------------|---------------|------------------------------|
| | Actual | Pro Forma (1) | Pro Forma as Adjusted (2)(3) |
| | (unaudited) | | |
| | (in thousands) | | |
| Balance Sheet Data: | | | |
| Cash and cash equivalents | \$ 9,827 | \$ 9,827 | \$ 32,387 |
| Working capital | 9,628 | 9,628 | 32,188 |
| Total assets | 11,763 | 11,763 | 34,323 |
| Contingent royalty obligation | 1,616 | 1,616 | 1,616 |
| Series A convertible preferred stock | (*) | - | - |
| Accumulated deficit | (35,348) | (35,348) | (35,348) |
| Total stockholders' equity | \$ 8,970 | \$ 8,970 | \$ 31,530 |

(*) Represents an amount less than one thousand

(1) Pro forma to give effect to the conversion upon consummation of this offering of all of our outstanding shares of Series A Convertible Preferred Stock into an aggregate of 1,581,128 shares of common stock.

(2) Pro forma as adjusted to reflect the pro forma adjustments described in (1) above, and to further reflect the issuance and sale by us of 4,250,000 shares of our common stock in this offering at the assumed initial public offering price of \$ 6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus), after deducting underwriting discounts and commissions and estimated offering expenses payable by us and the receipt by us of the proceeds of such sale.

(3) Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ 6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus) would increase (decrease) the amount of cash and cash equivalents, working capital, total assets and total stockholders' equity (deficit) on a pro forma as adjusted basis by approximately \$ 3.9 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of one million shares offered by us would increase (decrease) cash and cash equivalents, working capital, total assets and total stockholders' equity (deficit) on a pro forma as adjusted basis by approximately \$ 5.5 million, assuming the assumed initial public offering price of \$ 6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus) remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. A one million share increase in the number of shares offered by us together with a concomitant \$1.00 increase in the assumed initial public offering price of \$ 6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus) would increase each of cash and cash equivalents, working capital, total assets and total stockholders' (deficit) equity by approximately \$ 10.4 million after deducting underwriting discounts and commissions and any estimated offering expenses payable by us. Conversely, each one million share decrease in the number of shares offered by us together with a concomitant \$1.00 decrease in the assumed initial public offering price of \$ 6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus) would decrease each of cash and cash equivalents, working capital, total assets and total stockholders' (deficit) equity by approximately \$ 8.5 million after deducting underwriting discounts and commissions and any estimated offering expenses payable by us. The pro forma as adjusted information discussed above is illustrative only and will be adjusted based on the actual public offering price and other terms of this offering determined at pricing.

RISK FACTORS

An investment in our common stock is speculative and illiquid and involves a high degree of risk including the risk of a loss of your entire investment. You should carefully consider the following risk factors, as well as the other information in this prospectus, including our financial statements and the related notes thereto, before deciding whether to invest in shares of our common stock. These risk factors contain, in addition to historical information, forward looking statements that involve risks and uncertainties. Our actual results could differ significantly from the results discussed in the forward looking statements. The order in which the following risks are presented is not intended to reflect the magnitude of the risks described. The occurrence of any of the following adverse developments described in the following risk factors could materially and adversely harm our business, financial condition, results of operations or prospects. In such event, the value of our common stock could decline, and you could lose all or a substantial portion of the money that you pay for our common stock.

Risks Related to Our Financial Position and Need for Capital

If this offering is not successful, there is substantial doubt about our ability to continue as a going concern.

As described in Note 1 of our accompanying unaudited interim condensed consolidated financial statements, absent the proceeds of this offering or another financing, there is substantial doubt that we can continue as an ongoing business for the next twelve months. Our unaudited interim condensed consolidated financial statements do not include any adjustments that may result from the outcome of this uncertainty. If we cannot continue as a viable entity, our stockholders may lose some or all of their investment in us.

We have incurred operating losses in each year since our inception and expect to continue to incur substantial losses for the foreseeable future. We may never become profitable or, if achieved, be able to sustain profitability.

We expect to incur substantial expenses without corresponding revenues unless and until we expand our commercialization efforts. To date, as part of our limited launch, we have generated some revenue from our Pure-Vu system, but we do not expect to generate significant revenue from product sales unless and until we expand our commercialization efforts, which we expect will take a number of years and is subject to significant uncertainty. We expect to incur significant marketing expenses in the United States and elsewhere, and there can be no assurance that we will generate significant revenues or ever achieve profitability. Our net loss for the nine months ended September 30, 2017 was approximately \$9.4 million. Our net loss for the years ended December 31, 2016 and December 31, 2015 was approximately \$8.0 million and \$6.0 million, respectively. As of September 30, 2017, we had an accumulated deficit of approximately \$35.3 million.

Our cash or cash equivalents will only fund our operations for a limited time and we will need to raise additional capital to support our development and commercialization efforts.

We are currently operating at a loss and expect our operating costs will increase significantly as we incur costs associated with commercialization activities related to our Pure-Vu system. At September 30, 2017, we had a cash and cash equivalents balance of approximately \$9.8 million. Based on our current business plan, we believe the net proceeds from this offering, together with our current cash and cash equivalents, will be sufficient to meet our anticipated cash requirements over at least the next 18 months. If our available cash balances and net proceeds from this offering are insufficient to satisfy our liquidity requirements, including due to risks described in this prospectus, we may seek to raise additional capital through equity offerings, debt financings, collaborations or licensing arrangements. We will need to raise additional capital, and we may also consider raising additional capital in the future to expand our business, to pursue strategic investments, to take advantage of financing opportunities, or for other reasons, including to:

- fund development and efforts of any future products;
- acquire, license or invest in technologies;
- acquire or invest in complementary businesses or assets; and
- finance capital expenditures and general and administrative expenses.

Our present and future funding requirements will depend on many factors, including:

- our revenue growth rate and ability to generate cash flows from operating activities;
- our sales and marketing and research and development activities;
- costs of and potential delays in product development;
- changes in regulatory oversight applicable to our products; and
- costs related to international expansion.

We do not currently have any arrangements or credit facilities in place as a source of funds, and there can be no assurance that we will be able to raise sufficient additional capital on acceptable terms, or at all. We may seek additional capital through a combination of private and public equity offerings, debt financings and strategic collaborations. Debt financing, if obtained, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, that could increase our expenses and require that our assets secure such debt. Equity financing, if obtained, could result in dilution to our then existing stockholders and/or require such stockholders to waive certain rights and preferences. If such financing is not available on satisfactory terms, or is not available at all, we may be required to delay, scale back or eliminate the development of business opportunities and our operations and financial condition may be materially adversely affected. We can provide no assurances that any additional sources of financing will be available to us on favorable terms, if at all. In addition, if we are unable to secure sufficient capital to fund our operations, we might have to enter into strategic collaborations that could require us to share commercial rights to the Pure-Vu system with third parties in ways that we currently do not intend or on terms that may not be favorable to us. If we choose to pursue additional indications and/or geographies for the Pure-Vu system or otherwise expand more rapidly than we presently anticipate, we may also need to raise additional capital sooner than expected.

Future capital raises may dilute our existing stockholders' ownership and/or have other adverse effects on our operations.

If we raise additional capital by issuing equity securities, our existing stockholders' percentage ownership will be reduced and these stockholders may experience substantial dilution. If we raise additional funds by issuing debt securities, these debt securities would have rights senior to those of our common stock and the terms of the debt securities issued could impose significant restrictions on our operations, including liens on our assets. If we raise additional funds through collaborations and licensing arrangements, we may be required to relinquish some rights to our technologies or products, or to grant licenses on terms that are not favorable to us.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As a result of the Share Exchange Transaction, our ability to utilize our federal net operating loss, carryforwards and federal tax credit may be limited under Sections 382 of the Internal Revenue Code of 1986, as amended (the "Code"). The limitations apply if an "ownership change," as defined by Section 382, occurs. Generally, an ownership change occurs if the percentage of the value of the stock that is owned by one or more direct or indirect "five percent shareholders" increases by more than 50 percentage points over their lowest ownership percentage at any time during the applicable testing period (typically three years). In addition, future changes in our stock ownership, which may be outside of our control, may trigger an "ownership change" and, consequently, Section 382 limitations. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss carryforwards and other tax attributes to offset United States federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us.

U.S. federal income tax reform could adversely affect us.

On December 22, 2017, President Trump signed into law the statute originally named the “Tax Cuts and Jobs Act” (the “2017 Tax Act”) which enacts a broad range of changes to the Code. The 2017 Tax Act, among other things, includes changes to U.S. federal tax rates, imposes significant additional limitations on the deductibility of interest and net operating losses, allows for the expensing of certain capital expenditures, and puts into effect a number of changes impacting operations outside of the United States including, but not limited to, the imposition of a one-time tax on accumulated post-1986 deferred foreign income that has not previously been subject to tax, and modifications to the treatment of certain intercompany transactions. Our net deferred tax assets and liabilities will be revalued at the newly enacted U.S. corporate rate, and the impact will be recognized in our tax expense in 2017, the year of enactment. We continue to examine the impact this tax legislation may have on our business. The impact of this tax legislation on holders of our common stock is uncertain and could be adverse. We urge our stockholders, including purchasers of common stock in this offering, to consult with their legal and tax advisors with respect to such legislation and the potential tax consequences of investing in our common stock.

Risks Related to Government Regulation and Third-Party Reimbursement

We are subject to complex and costly regulation.

Our product, and any products we may develop in the future, are subject to regulation by the FDA and other national, supranational, federal and state governmental authorities. It can be costly and time-consuming to obtain regulatory clearance and/or approval to market a new or modified medical device or other product. Clearance and/or approval might not be granted on a timely basis, if at all. Regulations are subject to change as a result of legislative, administrative or judicial action, which may further increase our costs or reduce sales. Unless an exception applies, the FDA requires that the manufacturer of a new medical device or a new indication for use of, or other significant change in, an existing medical device obtain either FDA 510(k) pre-market clearance or pre-market approval before that product can be marketed or sold in the United States. Modifications or enhancements to a product that could significantly affect its safety or effectiveness, or that would constitute a major change in the intended use of the device, technology, materials, labeling, packaging, or manufacturing process may also require a new 510(k) clearance or possibly premarket approval. The FDA has indicated that it intends to continue to enhance its pre-market requirements for medical devices. Although we cannot predict with certainty the future impact of these initiatives, it appears that the time and cost to get medical devices to market could increase significantly.

In addition, we are subject to regulations that govern manufacturing practices, product labeling and advertising, and adverse-event reporting that apply after we have obtained clearance or approval to sell a product. Our failure to maintain clearance for our Pure-Vu system, to obtain clearance or approval for new or modified products, or to adhere to regulations for manufacturing, labeling, advertising or adverse event reporting could adversely affect our results of operations and financial condition. Further, if we determine a product manufactured or marketed by us does not meet our specifications, published standards or regulatory requirements, we may seek to correct the product or withdraw the product from the market, which could have an adverse effect on our business. Many of our facilities and procedures, and those of our suppliers are subject to ongoing oversight, including periodic inspection by governmental authorities. Compliance with production, safety, quality control and quality assurance regulations can be costly and time-consuming.

The sales and marketing of medical devices is under increased scrutiny by the FDA and other enforcement bodies. If our sales and marketing activities fail to comply with FDA regulations or guidelines, or other applicable laws, we may be subject to warnings or enforcement actions from the FDA or other enforcement bodies.

We may be unable to obtain or maintain governmental approvals to market our Pure-Vu system outside the United States, including the European Union countries.

Any medical device placed on the European market must comply with the relevant legislation of the European Economic Community, or EEC, which requires manufacturers of medical products to obtain the right to affix the CE Mark to their products before selling them in the European Union, the European Economic Area and Switzerland. The CE Mark is an international symbol of adherence to quality assurance standards and compliance with applicable European medical device directives. In order to obtain the right to affix the CE Mark to products, a manufacturer must obtain certification that its processes meet specified quality and design standards. Compliance with the medical device directives, as certified by an organization designated by a European Union country to assess the conformity of certain products before being placed on the market (a "Notified Body"), permits the manufacturer to affix the CE Mark on its products and commercially distribute those products throughout the European Union, the European Economic Area and Switzerland. However, individual countries can lawfully request that a medical device be registered locally. Furthermore, countries may have requirements in place in relation to the language of the device information, which would require additional compliance, review and approval. In addition, the European Union is presently assessing an overhaul of its regulatory requirements that may make the CE Mark much more difficult to obtain or maintain. We applied for a CE Mark in Europe and anticipate CE Mark clearance in the first quarter of 2018, however, there can be no assurance that we will be granted CE Mark, and the failure to do so could adversely impact our revenues.

To be able to market and sell our Pure-Vu system in other countries, we must obtain regulatory approvals and comply with the regulations of those countries. These regulations, including the requirements for approvals and the time required for regulatory review, vary from country to country. Many non-European markets, including major markets in South America and Asia Pacific, have allowed for expedited regulatory review and approval based on an existing CE Mark. We intend to target countries with a regulatory approval process with similar requirements to CE Mark. However, obtaining and maintaining foreign regulatory approvals are complex and expensive and subject to delays, and management cannot be certain that we will receive and be able to maintain regulatory approvals in any foreign country in which we plan to market our Pure-Vu system or in the time frame in which we expect.

Modifications to our product may require new 510(k) clearance or may require us to cease marketing or recall the modified products until approvals are obtained.

After a device receives 510(k) clearance, any modification that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, will require a new clearance or possibly premarket approval. Changes that do not rise to this level of significance, including certain manufacturing changes, may be made without FDA clearance upon documentation in the manufacturer's files of the determination of the significance of the change. The FDA requires each manufacturer to make this determination initially, but the FDA can review any such decision and can disagree with the manufacturer's determination. If the FDA disagrees with any determination that we may make in the future and requires us to seek new 510(k) clearance for modifications to any previously approved or cleared products for which we have concluded that new approvals are unnecessary, we may be required to cease marketing or distribution of our products or to recall the modified product until we obtain approval, and we may be subject to significant regulatory fines or penalties. We intend in the future to expand the indication for which the Pure-Vu system is cleared or approved to allow us to actively promote the product and a less-prep regimen to patients. We plan to perform a clinical trial that should facilitate approval of expanded labeling, however, if this trial is unsuccessful or the FDA denies our expanded labeling, our revenues will be adversely affected.

In the European Union/European Economic Area (the "EU/EEA"), we will be required to inform the Notified Body that carried out the conformity assessment of the medical devices we market or sell in the EEA of any planned changes to our quality system or changes to our devices which could affect compliance with the essential requirements set forth in the EU Medical Devices Directive or the devices' intended purpose. The Notified Body will then assess the changes and verify whether they affect the products' conformity with the essential requirements set forth in the EU Medical Devices Directive or the conditions for the use of the device. If the assessment is favorable, the Notified Body will issue a new CE Certificate of Conformity or an addendum to the existing CE Certificate of Conformity attesting compliance with the essential requirements set forth in the EU Medical Devices Directive. If it is not, we may not be able to market and sell the product in the EEA.

If our product malfunctions, or causes or contributes to a death or a serious injury, we will be subject to medical device reporting regulations, which can result in voluntary corrective actions or agency enforcement actions.

Under the FDA medical device reporting regulations, medical device manufacturers are required to report to the FDA information that a device has or may have caused or contributed to a death or serious injury or has malfunctioned in a way that would likely cause or contribute to death or serious injury if the malfunction of the device or one of our similar devices were to recur. If we fail to report these events to the FDA within the required timeframes, or at all, the FDA could take enforcement action against us. Any such adverse event involving our product also could result in future voluntary corrective actions, such as recalls or customer notifications, or agency action, such as inspection or enforcement action. Any corrective action, whether voluntary or involuntary, as well as defending ourselves in a lawsuit, will require the dedication of our time and capital, distract management from operating our business, and may harm our reputation and financial results.

Our Pure-Vu system may in the future be subject to product recalls. A recall of our products, either voluntarily or at the direction of the FDA or another governmental authority, including a third-country authority, or the discovery of serious safety issues with our products, could have a significant adverse impact on us.

The FDA and similar foreign governmental authorities have the authority to require the recall of commercialized products in the event of material deficiencies or defects in design or manufacture. In the case of the FDA, the authority to require a recall must be based on an FDA finding that there is reasonable probability that the device would cause serious injury or death. In addition, foreign governmental bodies have the authority to require the recall of our products in the event of material deficiencies or defects in design or manufacture. Manufacturers may, under their own initiative, recall a product if any material deficiency in a device is found. The FDA requires that certain classifications of recalls be reported to the FDA within ten working days after the recall is initiated. A government-mandated or voluntary recall by us or a distributor could occur as a result of an unacceptable risk to health, component failures, malfunctions, manufacturing errors, design or labeling defects or other deficiencies and issues. A recall of our products would divert managerial and financial resources and have an adverse effect on our reputation, results of operations and financial condition, which could impair our ability to produce our product in a cost-effective and timely manner in order to meet our customers' demands. We may also be subject to liability claims, be required to bear other costs, or take other actions that may have a negative impact on our future sales and our ability to generate profits. Companies are required to maintain certain records of recalls, even if they are not reportable to the FDA or another third-country competent authority. We may initiate voluntary recalls that we determine do not require notification of the FDA or another third-country competent authority. If the FDA disagrees with our determinations, they could require us to report those actions as recalls. A future recall announcement could harm our reputation with customers and negatively affect our sales. In addition, the FDA could take enforcement action for failing to report the recalls.

We are also required to follow detailed recordkeeping requirements for all firm-initiated medical device corrections and removals. In addition, in October 2014, the FDA issued guidance intended to assist the FDA and industry in distinguishing medical device recalls from product enhancements. Per the guidance, if any change or group of changes to a device addresses a violation of the Federal Food, Drug and Cosmetic Act (the "FDCA"), that change would generally constitute a medical device recall and require submission of a recall report to the FDA.

Our Pure-Vu system is not currently reimbursable through private or governmental third-party payors, which could limit market acceptance.

Our Pure-Vu system and the procedure to cleanse the colon in preparation for colonoscopy are not currently reimbursable through private or governmental third-party payors in any country. We intend to seek reimbursement through private or governmental third-party payors in the future, however coverage and reimbursement may not be available for any product that we commercialize and, even if available, the level of reimbursement may not be satisfactory. The commercialization of our Pure-Vu system depends on prospective patients' ability to cover the costs of the procedure, and/or physician willingness to subsidize all or some of the costs of the procedure. We believe that a substantial portion of individuals who are candidates for the use of the Pure-Vu system worldwide do not have the financial means to cover its cost. Moreover, healthcare providers may be reluctant to make the initial investment in the system. A general regional or worldwide economic downturn could negatively impact demand for our Pure-Vu system. In the event that medically eligible patients deem the costs of our procedure to be prohibitively high or consider alternative treatment options to be more affordable, or healthcare providers deem the cost of the system to be too high, our business, results of operations and financial condition would be negatively impacted.

If we or our sales personnel or distributors do not comply with fraud and abuse laws, including anti-kickback laws for any products approved in the U.S., or with similar foreign laws where we market our products, we could face significant liability.

There are numerous federal and state laws pertaining to healthcare fraud and abuse, including anti-kickback laws, false claims, and physician transparency laws. Our relationships with physicians and surgeons, hospitals and our independent distributors are subject to scrutiny under these laws. Violations of these laws are punishable by criminal and civil sanctions, including significant fines, damages and monetary penalties and in some instances, imprisonment and exclusion from participation in federal and state healthcare programs, including the Medicare, Medicaid and Veterans Administration health programs.

Many foreign countries have enacted similar laws addressing fraud and abuse in the healthcare sector. The shifting commercial compliance environment and the need to build and maintain robust and expandable systems to comply with different compliance requirements in multiple jurisdictions increases the possibility that a healthcare company may run afoul of one or more of the requirements.

We may become liable for significant damages or be restricted from selling our products if we engage in inappropriate promotion of our Pure-Vu system.

Our promotional materials and training methods for our Pure-Vu system must comply with FDA and other applicable laws and regulations, including the prohibition of the promotion of the “off-label” use of our Pure-Vu system, including by using our Pure-Vu system in a way not approved by the FDA. The Pure-Vu system is currently indicated to connect to standard colonoscopes to facilitate intra-procedural cleaning of a poorly prepared colon by irrigating or cleaning the colon and evacuating the irrigated fluid, feces and other bodily fluids and matter. We do not currently promote a particular prep regimen as this is left up to the discretion of the physician since our current indication does not reference any preparation protocol. Healthcare providers may use our products off-label, as the FDA does not restrict or regulate a physician’s choice of treatment within the practice of medicine. However, if the FDA determines that our promotional materials, training or marketing efforts constitute promotion of an off-label use, it could request that we modify our training or promotional materials or marketing efforts or subject us to regulatory or enforcement actions, including the issuance of an untitled letter, a warning letter, injunction, seizure, civil fine and criminal penalties. It is also possible that other federal, state or foreign enforcement authorities might take action if they consider our promotional or training materials to constitute promotion of an unapproved use, which could result in significant fines or penalties. Although we do not intend to engage in any activities that may be considered off-label promotion of our products, the FDA or another regulatory agency could disagree and conclude that we have engaged, directly or indirectly, in off-label promotion. In addition, the off-label use of our products may increase the risk of product liability claims. Product liability claims are expensive to defend and could result in substantial damage awards against us and harm our reputation.

Our financial performance may be adversely affected by medical device tax provisions in the healthcare reform laws.

The Patient Protection and Affordable Care Act (the “Affordable Care Act”) imposes, among other things, an excise tax of 2.3% on any entity that manufactures or imports medical devices offered for sale in the United States, although this tax has been suspended for calendar years 2016, 2017, 2018 and 2019. It is unclear at this time if the moratorium will be further extended. We anticipate that primarily all of our sales of our Pure-Vu system in the United States will be subject to this 2.3% excise tax after December 31, 2019. Additionally, Congress could terminate the moratorium or further change the law related to the medical device tax in a manner that could adversely affect us.

Risks Related to Our Business Operations

Our Pure-Vu system is currently our sole product and we are completely dependent on the successful marketing and sale of this product. There is no assurance that we will be able to develop any additional products.

Our Pure-Vu system is currently our sole product and we are completely dependent on the success of this product. We may fail to successfully commercialize our product. Successfully commercializing medical devices such as ours is a complex and uncertain process, dependent on the efforts of management, distributors, outside consultants, physicians and general economic conditions, among other factors. Any factors that adversely impact the commercialization of our Pure-Vu system, including, but not limited to, competition or acceptance in the marketplace, will have a negative impact on our business, results of operations and financial condition. We cannot assure you that we will be successful in developing or commercializing any potential enhancements to our Pure-Vu system or any other products. Our inability to successfully commercialize our Pure-Vu system and/or successfully develop and commercialize additional products or any enhancements to our Pure-Vu system which we may develop would have a material adverse effect on our business, results of operations and financial condition.

We are a medical technology company with a limited operating history.

We are a medical technology company with a limited operating history. We received clearance from the FDA for our Pure-Vu system and have recently initiated a limited pilot launch that will run through 2018. We plan to then move into a full market launch during 2019. We expect that sales of our Pure-Vu system will account for substantially all of our revenue for the foreseeable future. However, we have limited experience in selling our products and we may be unable to successfully commercialize our Pure-Vu system for a number of reasons, including:

- market acceptance of our Pure-Vu system by physicians and patients will largely depend on our ability to demonstrate its relative safety, efficacy, cost-effectiveness and ease of use;
- our inexperience in marketing, selling and distributing our products;
- we may not have adequate financial or other resources to successfully commercialize our Pure-Vu system;
- we may not be able to manufacture our Pure-Vu system in commercial quantities or at an acceptable cost;
- the uncertainties associated with establishing and qualifying a manufacturing facility;
- patients will not generally receive reimbursement from third-party payors for the use of our Pure-Vu system for colon cleansing, which may reduce widespread use of our Pure-Vu system;
- the introduction and market acceptance of competing products and technologies; and
- rapid technological change may make our Pure-Vu system obsolete.

Accordingly, you should consider our prospects in light of the costs, uncertainties, delays and difficulties frequently encountered by early commercial stage companies. Potential investors should carefully consider the risks and uncertainties that a company with a limited operating history will face. In particular, potential investors should consider that we cannot assure you that we will be able to:

- successfully execute our current business plan for the commercialization of our Pure-Vu system, or that our business plan is

- sound;
- successfully contract for and establish a commercial supply of our product;
 - achieve market acceptance of our Pure-Vu system; and
 - attract and retain an experienced management and advisory team.

If we cannot successfully execute any one of the foregoing, our business may not succeed and your investment will be adversely affected.

The Pure-Vu system may not be accepted by physicians and patients.

Our Pure-Vu system for use during colonoscopy screenings to clean the colon through irrigation and evacuation of bowel contents is a new technology and may be perceived as more invasive than current colonoscopy screening procedures, and patients may be unwilling to undergo the procedure. Moreover, patients may be unwilling to depart from the current standard of care. In addition, physicians tend to be slow to change their medical treatment practices because of perceived liability risks arising from the use of new products. Physicians may not recommend or prescribe our Pure-Vu system until there is long-term clinical evidence to convince them to alter their existing treatment methods, there are recommendations from prominent physicians that our Pure-Vu system is safe and efficient and reimbursement or insurance coverage is available. We cannot predict when, if ever, physicians and patients may adopt the use of our Pure-Vu system. If our Pure-Vu system does not achieve an adequate level of acceptance by patients, physicians and healthcare payors, we may not generate significant product revenue and we may not become profitable.

If we are not able to successfully commercialize our Pure-Vu system, the revenue that we generate from its sales, if any, may be limited.

The commercial success of our Pure-Vu system will depend upon its acceptance by the medical community, including physicians, patients and health care payors. The degree of market acceptance of our Pure-Vu system will depend on a number of factors, including:

- demonstration of clinical safety and efficacy;
- relative convenience, burden and ease of administration;
- the prevalence and severity of any adverse effects;
- the willingness of physicians to prescribe the Pure-Vu system and of the target patient population to try new procedures;
- efficacy of our Pure-Vu system compared to competing procedures;
- the introduction of any new products and procedures that may in the future become available for colonoscopy preparation may be approved;
- pricing and cost-effectiveness;
- the inclusion or omission of our Pure-Vu system in applicable treatment guidelines;
- the effectiveness of our or any future collaborators' sales and marketing strategies;
- limitations or warnings contained in FDA-approved labeling;
- our ability to obtain and maintain sufficient third-party coverage or reimbursement from government health care programs, including Medicare and Medicaid, private health insurers and other third-party payors; and
- the willingness of patients to pay out-of-pocket in the absence of third-party coverage or reimbursement.

If our Pure-Vu system does not achieve an adequate level of acceptance by physicians, health care payors and patients, we may not generate sufficient revenue and we may not be able to achieve or sustain profitability. Our efforts to educate the medical community and third-party payors on the benefits of our Pure-Vu system may require significant resources and may never be successful.

We currently have a limited sales and marketing organization. If we are unable to secure a sales and marketing partner and/or establish satisfactory sales and marketing capabilities, we may not successfully commercialize our Pure-Vu system.

At present, we have limited sales or marketing personnel. In order to commercialize devices that are approved for commercial sales, we must either collaborate with third parties that have such commercial infrastructure and/or continue to develop our own sales and marketing infrastructure. If we are not successful entering into appropriate collaboration arrangements, recruiting sales and marketing personnel or in building a sales and marketing infrastructure, we will have difficulty successfully commercializing our Pure-Vu system, which would adversely affect our business, operating results and financial condition.

We may not be able to enter into collaboration agreements on terms acceptable to us or at all. In addition, even if we enter into such relationships, we may have limited or no control over the sales, marketing and distribution activities of these third parties. Our future revenues may depend heavily on the success of the efforts of these third parties. If we elect to establish a sales and marketing infrastructure we may not realize a positive return on this investment. In addition, we will have to compete with established and well-funded medical device companies to recruit, hire, train and retain sales and marketing personnel. Factors that may inhibit our efforts to commercialize our Pure-Vu system without strategic partners or licensees include:

- our inability to recruit and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to or persuade adequate numbers of physicians to use our Pure-Vu system;
- 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.

Our Pure-Vu system may cause adverse side effects that prevent its widespread adoption or that may necessitate its withdrawal from the market.

Our Pure-Vu system is currently believed to have the same side effects as a standard colonoscopy, such as inducing trauma to the colon's mucosa or, in rare cases, perforation of the colon. With more extensive use the Pure-Vu system may be found to cause additional undesirable and unintended side effects or show a higher rate of side effects than a standard colonoscopy that may prevent or limit its commercial adoption and use. Even upon receiving clearance from the FDA and other regulatory authorities, our products may later exhibit adverse side effects that prevent widespread use or necessitate withdrawal from the market. The manifestation of such side effects could cause our business to suffer.

If we do not convince gastroenterologists that our products are attractive alternatives to the currently marketed medical devices and suitable for use in addressing bowel preparation or cleansing, we will not be commercially successful.

If we are not successful in convincing gastroenterologists of the merits of our products or educating them on the use of our products, they may not use our products and we will be unable to fully commercialize our products or reach profitability. Gastroenterologists may be hesitant to change their medical treatment practices for the following reasons, among others:

- lack of experience with our products and concerns regarding potential side effects;
- lack of clinical data currently available to support the safety and effectiveness of our products;
- lack or perceived lack of evidence supporting additional patient benefits;
- perceived liability risks generally associated with the use of new products and procedures; and
- the time commitment that may be required for training.

In addition, we believe recommendations and support of our products by influential gastroenterologists are important for market acceptance and adoption. If we do not receive support from such gastroenterologists or long term data does not show the benefits of using our products, gastroenterologists may not use our products. In such circumstances, we may not be able to grow our revenues or achieve profitability.

If we are unable to train gastroenterologists and their clinical staff on the safe and appropriate use of our products, we may be unable to achieve revenue growth or profitability.

An important part of our sales process includes the ability to train gastroenterologists and their clinical staff on the safe and appropriate use of our products. We have very limited experience in training and retaining qualified independent gastroenterologists to perform the colon cleansing procedure using our Pure-Vu system. If we are unable to attract gastroenterologists to our training programs, it may lead to a higher rate of injury, negative publicity and an increased risk of product liability, which would adversely affect our growth or profitability.

There is a learning process involved in gastroenterologists and their clinical staff becoming proficient in the use of our products. It is critical to the success of our commercialization efforts to train a sufficient number of gastroenterologists and to provide them with adequate instruction in the use of our Pure-Vu system. This training process may take longer than expected and may therefore affect our ability to increase sales. Following completion of training, we expect to rely on the trained gastroenterologists to advocate the benefits of our products in the broader marketplace. Convincing gastroenterologists to dedicate the time and energy necessary for adequate training is challenging, and we cannot assure you we will be successful in these efforts. If gastroenterologists and their clinical staff are not properly trained, they may misuse or ineffectively use our products. Such uses may result in unsatisfactory patient outcomes, patient injury, negative publicity or lawsuits against us, any of which would have a material adverse effect on our business, results of operations and financial condition.

We may face competition from other medical device companies in the future and our operating results will suffer if we fail to compete effectively.

The medical device industries are intensely competitive and subject to rapidly evolving technology and intense research and development efforts. We have competitors in a number of jurisdictions that have substantially greater name recognition, commercial infrastructures and financial, technical and personnel resources than we have. Established competitors may invest heavily to quickly discover and develop novel devices or procedures that could make our Pure-Vu system obsolete or uneconomical. Any new product that competes with a cleared medical device may need to demonstrate compelling advantages in efficacy, cost, convenience, tolerability and safety to be commercially successful. Other competitive factors could force us to lower prices or could result in reduced sales, including increased use of alternatives to colonoscopies such as capsule endoscopy systems, virtual colonoscopies using a CT scan, and other similar screening tests for colon cancer. While none of these testing alternatives may ever fully replace the colonoscopy, over time, they may take market share away from conventional colonoscopies for specific purposes and may lower the potential market opportunity for us. In addition, new devices developed by others could emerge as competitors to our Pure-Vu system. If we are not able to compete effectively against our current and future competitors, our business will not grow and our financial condition and operations will suffer.

Our products face the risk of technological obsolescence, which, if realized, could have a material adverse effect on our business.

The medical device industry is characterized by rapid and significant technological change. There can be no assurance that third parties will not succeed in developing or marketing technologies and products that are more effective than ours or that would render our technology and products obsolete or noncompetitive. Additionally, new, less invasive surgical procedures and medications could be developed that replace or reduce the importance of current procedures that use or could use our products. Accordingly, our success will depend in part upon our ability to respond quickly to medical and technological changes through the development of new products. Product development involves a high degree of risk, and we cannot assure you that our new product development efforts will result in any commercially successful products.

If defects are discovered in our products, we may incur additional unforeseen costs, hospitals may not purchase our products and our reputation may suffer.

Our products incorporate mechanical parts, any of which can contain errors or failures, especially when first introduced. In addition, new products or enhancements may contain undetected errors or performance problems that, despite testing, are discovered only after commercial shipment. Because our products are designed to be used to perform medical procedures, we expect that our customers will have an increased sensitivity to such defects. We cannot provide any assurances that our products will not experience component aging, errors or performance problems in the future. If we experience flaws or performance problems, any of the following could occur:

- delays in product shipments;
- loss of revenue;
- delay in market acceptance;
- diversion of our resources;
- damage to our reputation;
- product recalls;
- regulatory actions;
- increased service or warranty costs; or
- product liability claims.

Our future growth depends, in part, on our ability to penetrate foreign markets, where we would be subject to additional regulatory burdens and other risks and uncertainties.

Our future profitability will depend, in part, on our ability to commercialize our Pure-Vu system in foreign markets for which we intend to rely on collaborations with third parties. If we commercialize our Pure-Vu system in foreign markets, we would be subject to additional risks and uncertainties, including:

- our customers' ability to obtain reimbursement for our Pure-Vu system in foreign markets;
- our inability to directly control commercial activities because we are relying on third parties;
- the burden of complying with complex and changing foreign regulatory, tax, accounting and legal requirements;
- different medical practices and customs in foreign countries affecting acceptance in the marketplace;
- import or export licensing requirements;
- longer accounts receivable collection times;
- longer lead times for shipping;
- language barriers for technical training;
- reduced protection of intellectual property rights in some foreign countries;
- foreign currency exchange rate fluctuations; and

- the interpretation of contractual provisions governed by foreign laws in the event of a contract dispute.

Foreign sales of our Pure-Vu system could also be adversely affected by the imposition of governmental controls, political and economic instability, trade restrictions and changes in tariffs, any of which may adversely affect our results of operations.

We are, and will be, completely dependent on third parties to manufacture our Pure-Vu system, and our commercialization of our Pure-Vu system could be halted, delayed or made less profitable if those third parties fail to obtain manufacturing approval from the FDA or comparable foreign regulatory authorities, fail to provide us with sufficient quantities of our Pure-Vu system device components or fail to do so at acceptable quality levels or prices.

We do not currently have, nor do we plan to acquire, the capability or infrastructure to manufacture our Pure-Vu system, as well as the other related device components, for use in our clinical trials, if required, or for commercial product, if any. In addition, we do not have the capability to produce our Pure-Vu system for commercial distribution. As a result, we are obligated to rely on contract manufacturers for the commercial supply of our product. We currently rely on one manufacturer, however we anticipate engaging additional manufacturers for the production of the components of our Pure-Vu system as we expand our commercialization efforts.

The facilities used by our contract manufacturers to manufacture the Pure-Vu system must be compliant with FDA Quality System Regulation requirements and registered with the FDA. We do not control the manufacturing process of, and are completely dependent on, our contract manufacturing partners for compliance with current Good Manufacturing Practices (“cGMPs”) for manufacture of medical devices, as issued in the Quality System Regulation (21 CFR Part 820). These cGMPs regulations cover all aspects of the manufacturing, testing, quality control and record keeping relating to the Pure-Vu system. If our contract manufacturers cannot successfully manufacture products that conform to our specifications and the strict regulatory requirements of the FDA or others, they will not be able to secure and/or maintain regulatory approval for their manufacturing facilities. If the FDA or a comparable foreign regulatory authority does not approve these facilities for the manufacture of our products or if it withdraws any such approval in the future, we may need to find alternative manufacturing facilities, which would significantly impact our ability to maintain regulatory approval for or market the Pure-Vu system.

Our contract manufacturers are subject to ongoing periodic unannounced inspections by the FDA and corresponding state and foreign agencies for compliance with cGMPs and similar regulatory requirements. We will not have control over our contract manufacturers’ compliance with these regulations and standards. Failure by any of our contract manufacturers to comply with applicable regulations could result in sanctions being imposed on us, including fines, injunctions, civil penalties, failure to market the Pure-Vu system, delays, suspensions or withdrawals of approvals, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect our business. In addition, we will not have control over the ability of our contract manufacturers to maintain adequate quality control, quality assurance and qualified personnel. Failure by our contract manufacturers to comply with or maintain any of these standards could adversely affect our ability to maintain regulatory approval for or market our Pure-Vu system.

If, for any reason, these third parties are unable or unwilling to perform, we may not be able to terminate our agreements with them, and we may not be able to locate alternative manufacturers or enter into favorable agreements with them and we cannot be certain that any such third parties will have the manufacturing capacity to meet future requirements. If these manufacturers, or any alternate manufacturers, experience any significant difficulties in their respective manufacturing processes for our product or should cease doing business with us, we could experience significant interruptions in supply or may not be able to create or maintain a commercial supply. Were we to encounter manufacturing issues, our ability to produce sufficient commercial supply might be negatively affected. Our inability to coordinate the efforts of our third party manufacturing partners or the lack of capacity available at our third party manufacturing partners, could impair our ability to supply our Pure-Vu system at required levels. If we face these or other difficulties with our manufacturing partners we could experience significant interruptions in the supply of our products if we decided to transfer the manufacture to one or more alternative manufacturers in an effort to deal with the difficulties.

Any manufacturing problem or the loss of a contract manufacturer could be disruptive to our operations and result in lost sales. Any reliance on suppliers may involve several risks, including a potential inability to obtain critical components and reduced control over production costs, delivery schedules, reliability and quality. Any unanticipated disruption to a future contract manufacturer caused by problems at suppliers could delay shipment of our Pure-Vu system, increase our cost of goods sold and result in lost sales.

The manufacture of our Pure-Vu system, and the technology developed thereunder, is subject to certain Israeli government regulations which may impair our ability to outsource or transfer development or manufacturing activities with respect to any product or technology outside of Israel.

We have received, and may receive in the future, grants from the Government of the State of Israel through the Israel Innovation Authority of the Ministry of Economy and Industry (the "IIA") (formerly known as the Office of the Chief Scientist of the Ministry of Economy and Industry (the "OCS")), for the financing of a portion of our research and development expenditures pursuant to the Encouragement of Research, Development and Technological Innovation in the Industry Law 5744-1984 (formerly known as the Encouragement of Industrial Research and Development Law, 5744-1984), referred to as the Research Law, and related regulations. In exchange for these grants, we are required to pay royalties to the IIA from our revenues on sales of products and services based on technology developed using IIA grants, up to an aggregate of 100% of the U.S. dollar-linked value of the grant (plus interest), which amount may be increased under certain circumstances. The terms of the Israeli government participation also require that products developed with IIA grants be manufactured in Israel and that the technology developed thereunder may not be transferred outside of Israel (even following the full repayment of the IIA grants), unless prior approval is received from the IIA, which approval may not be granted. Even if such approval is granted, the transfer outside of Israel of manufacturing which is connected with the IIA-funded know-how may result in increased royalties (up to three times the aggregate amount of the IIA grants plus interest thereon), as well as in a higher royalty repayment rate. In addition, the transfer outside of Israel of IIA-funded know-how may trigger additional payments to the IIA (up to six times the aggregate amount of the IIA grants plus interest thereon). Even following the full repayment of any IIA grants, we must nevertheless continue to comply with the requirements of the Research Law. The foregoing restrictions may impair our ability to outsource or transfer development or manufacturing activities with respect to any product or technology outside of Israel. For additional information, see "Risks Related to Our Operations in Israel."

A significant amendment to the Research Law entered into effect on January 1, 2016, under which the IIA, a statutory government corporation, was established, which replaced the OCS. Under such amendment, the IIA is authorized to establish rules concerning the ownership and exploitation of IIA/OCS-funded know-how (including with respect to restrictions on transfer of manufacturing activities and IIA-funded know-how outside of Israel), which may differ from the restrictive laws, regulations and guidelines as currently in effect (and which shall remain in effect until such rules have been established by the IIA). In May 2017, the IIA issued new rules applicable to Israeli companies that receive grants from the IIA or its predecessor, the OCS, which went into effect on July 1, 2017. As of the date hereof, we cannot predict the impact these new rules will have on us or how they will be implemented by the IIA. Furthermore, it is anticipated that additional rules will be published by the IIA and we cannot predict or estimate the changes (if any) that may be made to this legislation (including with respect to the acquisition of an IIA-funded entity or the transfer of manufacturing or ownership of IIA-funded technology).

Risks Relating to Our Intellectual Property Rights

We may be unable to protect our intellectual property rights or may infringe on the intellectual property rights of others.

We rely on a combination of patents, trademarks, copyrights, trade secrets and nondisclosure agreements to protect our proprietary intellectual property. Our efforts to protect our intellectual property and proprietary rights may not be sufficient. We cannot be sure that our pending patent applications will result in the issuance of patents to us, that patents issued to or licensed by us in the past or in the future will not be challenged or circumvented by competitors or that these patents will remain valid or sufficiently broad to preclude our competitors from introducing technologies similar to those covered by our patents and patent applications. In addition, our ability to enforce and protect our intellectual property rights may be limited in certain countries outside the United States, which could make it easier for competitors to capture market position in such countries by utilizing technologies that are similar to those developed or licensed by us.

Competitors also may harm our sales by designing products that mirror the capabilities of our products or technology without infringing our intellectual property rights. If we do not obtain sufficient protection for our intellectual property, or if we are unable to effectively enforce our intellectual property rights, our competitiveness could be impaired, which would limit our growth and future revenue.

We may in the future be a party to patent litigation and administrative proceedings that could be costly and could interfere with our ability to sell our Pure-Vu system.

Litigation related to infringement and other intellectual property claims, with or without merit, is unpredictable, can be expensive and time consuming and can divert management's attention from our core business. If we lose this kind of litigation, a court could require us to pay substantial damages, and prohibit us from using technologies essential to our Pure-Vu system, any of which would have a material adverse effect on our business, results of operations and financial condition. If relevant patents are upheld as valid and enforceable and we are found to infringe, we could be prevented from selling our Pure-Vu system unless we can obtain a license to use technology or ideas covered by such patents or are able to redesign our Pure-Vu system to avoid infringement. We do not know whether any necessary licenses would be available to us on satisfactory terms, if at all, or whether we could redesign our Pure-Vu system or processes to avoid infringement.

Competing products may also appear in other countries in which our patent coverage might not exist or be as strong. If we lose a foreign patent lawsuit, we could be prevented from marketing our Pure-Vu system in one or more foreign countries.

We may be subject to claims that we have wrongfully hired an employee from a competitor or that we or our employees have wrongfully used or disclosed alleged confidential information or trade secrets of their former employers.

As is commonplace in our industry, we employ and plan to employ individuals who were previously employed at other medical device companies, including our competitors or potential competitors. Although no claims against us are currently pending, we may be subject in the future to claims that our employees or prospective employees are subject to a continuing obligation to their former employers (such as non-competition or non-solicitation obligations) or claims that our employees or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

General Company-Related Risks

We will need to grow the size of our organization, and we may experience difficulties in managing this growth.

As of September 30, 2017, we had 36 full time employees. As our marketing and commercialization plans and strategies develop, we will need to expand the size of our employee and consultant base for managerial, operational, sales, marketing, financial and other resources. Future growth would impose significant added responsibilities on members of management, including the need to identify, recruit, maintain, motivate and integrate additional employees. In addition, our management may have to divert a disproportionate amount of its attention away from our day-to-day activities and devote a substantial amount of time to managing these growth activities. Our future financial performance and our ability to commercialize the Pure-Vu system and any other future product candidates and our ability to compete effectively will depend, in part, on our ability to effectively manage our future growth.

Our success will depend in part on our ability to manage our operations as we advance our product candidates through clinical trials and to expand our development or regulatory capabilities or contract with third parties to provide these capabilities for us. Failure to achieve any of these goals could have a material adverse effect on our business, financial condition or results of operations.

If we are not successful in attracting and retaining highly qualified personnel, we may not be able to successfully implement our business strategy. In addition, the loss of the services of certain key employees would adversely impact our business prospects.

We depend on key members of our management team. The loss of the services of Mark Pomeranz, our Chief Executive Officer, Andrew Taylor, our Chief Financial Officer or any member of our senior management team, could harm our ability to execute our commercial strategy for our Pure-Vu system and the strategic objectives for our company. In connection with the Share Exchange Transaction, we entered into an employment agreement with our Chief Executive Officer, but this agreement is terminable by Mr. Pomeranz on short or no notice at any time without penalty. We also entered into an employment agreement with our Chief Financial Officer, and this agreement is also terminable by Mr. Taylor on short or no notice at any time without penalty. In addition, we do not maintain, and have no current intention of obtaining, "key man" life insurance on any member of our management team.

Recruiting and retaining qualified scientific and commercial personnel, including sales and marketing executives and field personnel, is also critical to our success. We may not be able to attract and retain these personnel on acceptable terms given the competition among numerous medical device and pharmaceutical companies for similar personnel and based on our company profile. We also experience competition for the hiring of scientific personnel from universities and research institutions. If we fail to recruit and then retain these personnel, we may not be able to effectively execute our commercial strategy for the Pure-Vu system.

If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to limit commercialization of the Pure-Vu system.

We are, and may be in the future, subject to product liability claims and lawsuits, including potential class actions, alleging that our products have resulted or could result in an unsafe condition or injury. Any product liability claim brought against us, with or without merit, could be costly to defend and could result in settlement payments and adjustments not covered by or in excess of insurance. In addition, we may not be able to obtain insurance on terms acceptable to us or at all because insurance varies in cost and can be difficult to obtain. Our failure to successfully defend against product liability claims or maintain adequate insurance coverage could have an adverse effect on our results of operations and financial condition.

Exchange rate fluctuations between the U.S. dollar and the Israeli New Shekel (the "NIS") and inflation may negatively affect our earnings and we may not be able to hedge our currency exchange risks successfully.

The U.S. dollar is our functional and reporting currency. However, a significant portion of our operating expenses, including personnel and facilities related expenses, are incurred in NIS. As a result, we are exposed to the risks that the NIS may appreciate relative to the U.S. dollar, or, if the NIS instead devalues relative to the U.S. dollar, that the inflation rate in Israel may exceed such rate of devaluation of the NIS, or that the timing of such devaluation may lag behind inflation in Israel. In any such event, the dollar cost of our operations in Israel would increase and our dollar-denominated results of operations would be adversely affected. Given our general lack of currency hedging arrangements to protect us from fluctuations in the exchange rates of the NIS and other foreign currencies in relation to the U.S. dollar (and/or from inflation of such foreign currencies), we may be exposed to material adverse effects from such movements. We cannot predict any future trends in the rate of inflation in Israel or the rate of devaluation (if any) of the NIS against the U.S. dollar.

We may acquire other businesses or form joint ventures or make investments in other companies or technologies that could negatively affect our operating results, dilute our stockholders' ownership, increase our debt or cause us to incur significant expense.

We may pursue acquisitions of businesses and assets. We also may pursue strategic alliances and joint ventures that leverage our intellectual property and industry experience to expand our offerings or distribution. We have no history of acquiring other companies or with forming strategic partnerships. We may not be able to find suitable partners or acquisition candidates, and we may not be able to complete such transactions on favorable terms, if at all. If we make any acquisitions, we may not be able to integrate these acquisitions successfully into our existing business, and we could assume unknown or contingent liabilities. Any future acquisitions also could result in the issuance of equity securities, incurrence of debt, contingent liabilities or future write-offs of intangible assets or goodwill, any of which could have a material adverse effect on our financial condition, results of operations, and cash flows. Integration of an acquired company also may disrupt ongoing operations and require management resources that we would otherwise focus on developing our existing business. We may experience losses related to investments in other companies, which could have a material negative effect on our results of operations and financial condition. We may not realize the anticipated benefits of any acquisition, technology license, strategic alliance, or joint venture.

To finance any acquisitions or joint ventures, we may choose to issue shares of our common stock as consideration, which would dilute the ownership of our stockholders. Additional funds may not be available on terms that are favorable to us, or at all. If the price of our common stock is low or volatile, we may not be able to acquire other companies or fund a joint venture project using our stock as consideration.

Risks Related to our Capital Stock

After this offering, our officers, directors, and principal stockholders will continue to exercise significant control over our Company, and may control our company for the foreseeable future, including the outcome of matters requiring stockholder approval.

When this offering is completed our officers, directors, entities controlled by our officers and directors, and principal stockholders who beneficially own more than 5% of our common stock before this offering will in the aggregate, beneficially own shares representing approximately 48.0 % of our outstanding capital stock immediately after this offering. As a result, such entities and individuals may have the ability, acting together, to control the election of our directors and the outcome of corporate actions requiring stockholder approval, such as: (i) a merger or a sale of our company, (ii) a sale of all or substantially all of our assets, and (iii) amendments to our certificate of incorporation and bylaws. This concentration of voting power and control could have a significant effect in delaying, deferring or preventing an action that might otherwise be beneficial to our other stockholders and be disadvantageous to our stockholders with interests different from those entities and individuals. These individuals also have significant control over our business, policies and affairs as officers and directors of our company. Therefore, you should not invest in reliance on your ability to have any control over our company.

Our quarterly operating results may be subject to significant fluctuations.

To date, as part of our limited launch, we have generated some revenue from our Pure-Vu system, but we do not expect to generate significant revenue from product sales unless and until we expand our commercialization efforts, which we expect will take a number of years and are subject to significant uncertainty, and accordingly we may experience significant fluctuations in our quarterly operating results in the future. The rate of market acceptance of our Pure-Vu system could contribute to this quarterly variability. Our limited operating history complicates our ability to project quarterly revenue and any future revenue generated from sales of our Pure-Vu system may fluctuate from time to time. In addition, our expense levels are based, in part, on expectation of future revenue levels. A shortfall in expected revenue, if any, could, therefore, result in a disproportionate decrease in our net income. As a result, our quarterly operating results may be subject to significant fluctuations.

Future sales of shares by existing stockholders could cause our stock price to decline.

If our existing stockholders sell, or indicate an intent to sell, substantial amounts of our common stock in the public market after the 180-day contractual lock-up and other legal restrictions on resale discussed in this prospectus lapse, the trading price of our common stock could decline significantly and could decline below the initial public offering price. Based on 12,072,972 shares outstanding as of September 30, 2017, upon the completion of this offering, we will have 16,322,972 outstanding shares of common stock, assuming no exercise of outstanding options or warrants. This amount assumes the conversion of all outstanding shares of our Series A Convertible Preferred Stock into shares of our common stock, which will occur upon the consummation of this offering. Of these shares, 4,250,000 shares of common stock, plus any shares sold pursuant to the underwriters' option to purchase additional shares, will be immediately freely tradable, without restriction, in the public market.

After the lock-up agreements pertaining to this offering expire and based on 16,322,972 shares outstanding after this offering, an additional 6,340,080 shares will be eligible for sale in the public market. In addition, upon issuance, shares subject to the exercise of outstanding warrants, 1,883,845 shares subject to outstanding options under our stock option plans, 168,373 shares reserved for future issuance under our equity compensation plan as of September 30, 2017, and 629,594 additional shares reserved for future issuance under our equity compensation plan resulting from the annual increase in the number of shares of our common stock available for issuance under our equity compensation plan as of January 1, 2018 (see “Executive Compensation - Description of the 2016 Equity Incentive Plan - Shares Subject to the 2016 Plan”), will become eligible for sale in the public market in the future, subject to certain legal and contractual limitations. If our existing stockholders sell substantial amounts of our common stock in the public market, or if the public perceives that such sales could occur, this could have an adverse impact on the market price of our common stock, even if there is no relationship between such sales and the performance of our business.

We will have broad discretion in how we use the net proceeds of this offering. We may not use these proceeds effectively, which could affect our results of operations and cause our stock price to decline.

We will have considerable discretion in the application of the net proceeds of this offering, including for any of the purposes described in the section entitled “Use of Proceeds.” We intend to use the net proceeds from this offering for commercialization activities related to our Pure-Vu system, research and development activities (including clinical and regulatory development and the continued development and enhancement of our Pure-Vu system), working capital and other general corporate purposes. As a result, investors will be relying upon management’s judgment with only limited information about our specific intentions for the use of the balance of the net proceeds of this offering. We may use the net proceeds for purposes that do not yield a significant return or any return at all for our stockholders. In addition, pending their use, we may invest the net proceeds from this offering in a manner that does not produce income or that loses value.

If equity research analysts do not publish research or reports about our business or if they issue unfavorable commentary or downgrade our common stock, the price of our common stock could decline.

The trading market for our common stock will rely in part on the research and reports that equity research analysts publish about us and our business. We do not control these analysts. The price of our common stock could decline if one or more equity analysts downgrade our common stock or if analysts issue other unfavorable commentary or cease publishing reports about us or our business.

Investors in this offering will pay a higher price than the book value of our common stock.

If you purchase common stock in this offering, you will pay more for your shares than the amounts paid by existing stockholders for their shares. You will incur immediate and substantial dilution of \$ 4.07 per share, representing the difference between our pro forma net tangible book value per share after giving effect to this offering and an assumed initial public offering price of \$ 6.00 per share, the midpoint of the estimated price range set forth on the cover of this prospectus. In the past, we issued Series A Convertible Preferred Stock (which will all convert into shares of common stock upon the consummation of this offering), restricted stock, options and warrants to acquire or convert into capital stock at prices significantly below the assumed initial public offering price. To the extent any outstanding options or warrants are ultimately converted or exercised, you will sustain further dilution. For further information on this calculation, see the section entitled “Dilution.”

No public market for our common stock currently exists, and an active trading market may not develop or be sustained following this offering.

Prior to this offering, there has been no public market for our common stock. An active trading market may not develop following the completion of this offering or, if developed, may not be sustained. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value of your shares. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire additional intellectual property assets by using our shares as consideration.

Our share price may be volatile, which could subject us to securities class action litigation and prevent you from being able to sell your shares at or above the offering price.

The initial public offering price for our shares will be determined by negotiations between us and the underwriters based on several factors. This price may vary from the market price of our common stock after this offering. You may be unable to sell your shares of common stock at or above the initial offering price. The market price for our common stock may be volatile and subject to wide fluctuations in response to factors including the following:

- actual or anticipated fluctuations in our quarterly or annual operating results;
- actual or anticipated changes in our growth rate relative to our competitors;
- failure to meet or exceed financial estimates and projections of the investment community or that we provide to the public;
- issuance of new or updated research or reports by securities analysts;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares; additions or departures of key management or other personnel;
- disputes or other developments related to proprietary rights, including patents, litigation matters, and our ability to obtain patent protection for our technologies;
- announcement or expectation of additional debt or equity financing efforts;
- sales of our common stock by us, our insiders or our other stockholders; and
- general economic, market or political conditions in the United States or elsewhere.

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

- any delay or failure to conduct a clinical trial for our product or receive approval from the FDA and other regulatory agents;
- developments or disputes concerning our product's intellectual property rights;
- our or our competitors' technological innovations;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures, capital commitments, new technologies or patents;
- failure to complete significant transactions or collaborate with vendors in manufacturing our product; and
- proposals for legislation that would place restrictions on the price of medical therapies.

These and other market and industry factors may cause the market price and demand for our common stock to fluctuate substantially, regardless of our actual operating performance, which may limit or prevent investors from readily selling their shares of common stock and may otherwise negatively affect the liquidity of our common stock. In addition, the stock market in general, and Nasdaq Capital Markets and emerging growth companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. In the past, when the market price of a stock has been volatile, holders of that stock have instituted securities class action litigation against the company that issued the stock. If any of our stockholders brought a lawsuit against us, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of our management.

Shareholders will experience dilution by exercises of outstanding warrants and options.

Upon the completion of this offering there will be 1,310,869 shares of our common stock issuable upon the exercise of Exchange Warrants (defined below, see “Business - Exchange of Convertible Note Warrants”) and Placement Agent Warrants (defined below, see “Description of Securities – Warrants – Placement Agent Warrants”), each at an exercise price of \$5.00 per share, 30,000 shares of our common stock issuable upon the exercise of warrants issued to a service provider, at an exercise price of \$8.00 per share, 1,095,682 shares of our common stock issuable upon the exercise of the Ten Percent Warrants (defined below, see “Description of Securities – Warrants”), at an exercise price equal to the offering price per share in this offering, and options to purchase an aggregate of up to 1,883,845 shares of our common stock, at exercise prices ranging from \$2.38 to the offering price per share in this offering.

The exercise of such warrants and options will result in dilution of your investment. As a result of this dilution, you may receive significantly less than the full purchase price you paid for securities of the Company in the event of liquidation.

Pursuant to the terms of the Royalty Payment Rights Certificate, which will be issued upon the completion of this offering, and our outstanding Placement Agent Royalty Payment Rights Certificates, we may be obligated to pay significant royalties.

Pursuant to the terms of the Royalty Payment Rights Certificates (see “Description of Securities – Royalty Rights”) to be issued in connection with the conversion of all of our outstanding shares of Series A Convertible Preferred Stock upon the consummation of this offering, we may be required to make certain royalty payments. After we generate sales of the current and potential future versions of the Pure-Vu system, including disposables, parts, and services, in excess of \$20 million since our inception, then we will be required to pay to the holders of our Royalty Payment Rights Certificates a royalty equal to (i) three percent (3%) of our net sales, if any, in any calendar year, not in excess of \$30 million per year. Additionally, after we receive any proceeds from the licensing of the current and potential future versions of the Pure-Vu system in excess of \$3.5 million since our inception, then we will be required to pay to the holders of the Royalty Payment Rights Certificates a royalty equal to 5% of our licensing proceeds, if any, in any calendar year, not in excess of \$30 million per year. The royalties will be payable up to the later of (i) the latest expiration date for our current patents (which is currently October 2026), or (ii) the latest expiration date of any pending patents as of the date of the Initial Closing that may be issued in the future.

Additionally, pursuant to the terms of the Placement Agent Royalty Payment Rights Certificates (see “Description of our Securities – Placement Agent Royalty Payment Rights”) issued in connection with the 2017 Private Placement, we will be required to pay the holders of the Placement Agent Royalty Payment Rights Certificates, in the aggregate, 10% of the amount of payments paid to the holders of the Royalty Payment Rights Certificates.

We are an “emerging growth company,” and will be able take advantage of reduced disclosure requirements applicable to “emerging growth companies,” which could make our common stock less attractive to investors.

We are an “emerging growth company,” as defined in the JOBS Act and, for as long as we continue to be an “emerging growth company,” we intend to take advantage of certain exemptions from various reporting requirements applicable to other public companies but not to “emerging growth companies,” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an “emerging growth company” for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed \$1.07 billion, (ii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter, or (iii) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three year period.

We intend to take advantage of these reporting exemptions described above until we are no longer an “emerging growth company.” Under the JOBS Act, “emerging growth companies” can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not “emerging growth companies.”

We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and our stock price may be more volatile.

We will incur significantly increased costs and devote substantial management time as a result of operating as a public company particularly after we are no longer an “emerging growth company.”

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. For example, we will be required to comply with certain of the requirements of the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended, as well as rules and regulations subsequently implemented by the SEC, including the establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. We expect that compliance with these requirements will increase our legal and financial compliance costs and will make some activities more time consuming and costly. In addition, we expect that our management and other personnel will need to divert attention from operational and other business matters to devote substantial time to these public company requirements. In particular, we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act. In addition, after we no longer qualify as an “emerging growth company,” as defined under the JOBS ACT we expect to incur additional management time and cost to comply with the more stringent reporting requirements applicable to companies that are deemed accelerated filers or large accelerated filers, including complying with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. We are just beginning the process of compiling the system and processing documentation needed to comply with such requirements. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. In that regard, we currently do not have an internal audit function, and we will need to hire or contract for additional accounting and financial staff with appropriate public company experience and technical accounting knowledge.

We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs.

There may be limitations on the effectiveness of our internal controls, and a failure of our control systems to prevent error or fraud may materially harm our company.

Proper systems of internal controls over financial accounting and disclosure controls and procedures are critical to the operation of a public company. As we are a start-up company, we only have 4 employees, and 2 contractors in our finance and accounting functions, which may result in a lack of segregation of duties and are at the very early stages of establishing, and we may be unable to effectively establish such systems, especially in light of the fact that we expect to operate as a publicly reporting company. This would leave us without the ability to reliably assimilate and compile financial information about our company and significantly impair our ability to prevent error and detect fraud, all of which would have a negative impact on our company from many perspectives.

Moreover, we do not expect that disclosure controls or internal control over financial reporting, even if established, will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Failure of our control systems to prevent error or fraud could materially adversely impact us.

We may have a material weakness in our internal control over financial reporting. In addition, because of our status as an emerging growth company, our independent registered public accountants are not required to provide an attestation report as to our internal control over financial reporting for the foreseeable future.

We may be required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by our management on, among other things, the effectiveness of our internal control over financial reporting for the first fiscal year beginning after the effective date of the registration statement of which this prospectus is a part. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting, as well as a statement that our independent registered public accounting firm has issued an opinion on our internal control over financial reporting. We are in the very early stages of the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404.

We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective.

If we are unable to assert that our internal control over financial reporting is effective, or, if applicable, our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our common stock to decline, and we may be subject to investigation or sanctions by the SEC. We will also be required to disclose changes made in our internal control and procedures on a quarterly basis.

However, our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until the later of the year following our first annual report required to be filed with the SEC, or the date we are no longer an “emerging growth company” as defined in the recently enacted JOBS Act, if we take advantage (as we expect to do) of the exemptions contained in the JOBS Act. We will remain an “emerging growth company” for up to five years, although if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of any June 30th before that time, we would cease to be an “emerging growth company” as of the following December 31st. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. Our remediation efforts may not enable us to avoid a material weakness in our internal control over financial reporting in the future.

Any of the foregoing occurrences, should they come to pass, could negatively impact the public perception of our company, which could have a negative impact on our stock price.

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

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

Upon dissolution of our company, you may not recoup all or any portion of your investment.

In the event of a liquidation, dissolution or winding-up of our company, whether voluntary or involuntary, the proceeds and/or assets of our company remaining after giving effect to such transaction, and the payment of all of our debts and liabilities and distributions required to be made to holders of any outstanding preferred stock will then be distributed to the stockholders of our common stock on a pro rata basis. There can be no assurance that we will have available assets to pay to the holders of our common stock, or any amounts, upon such a liquidation, dissolution or winding-up of our Company. In this event, you could lose some or all of your investment.

Our certificate of incorporation allows for our board to create new series of preferred stock without further approval by our stockholders, which could adversely affect the rights of the holders of our common stock.

Our board of directors has the authority to fix and determine the relative rights and preferences of preferred stock. Our board of directors has the authority to issue up to 10 million shares of our preferred stock without further stockholder approval. As a result, our board of directors could authorize the issuance of a series of preferred stock that would grant to holders the preferred right to our assets upon liquidation and the right to receive dividend payments before dividends are distributed to the holders of our common stock. In addition, our board of directors could authorize the issuance of a series of preferred stock that has greater voting power than our common stock or that is convertible into our common stock, which could decrease the relative voting power of our common stock or result in dilution to our existing stockholders.

Our certificate of incorporation, as amended, designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could discourage lawsuits against us, and our directors and officers.

Our certificate of incorporation, as amended, provides that unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of a fiduciary duty; (iii) any action asserting a claim against us, or any of our officers or directors, arising pursuant to, or a claim against us, or any of our officers or directors, with respect to the interpretation or application of any provision of the Delaware General Corporation Law, our certificate of incorporation, as amended, or our bylaws; or (iv) any action asserting a claim governed by the internal affairs doctrine. However, if the Court of Chancery of the State of Delaware dismisses any such action for lack of subject matter jurisdiction, the action may be brought in another state court sitting in the State of Delaware.

Risks Related to Our Operations in Israel

Our principal offices, research and development facilities and some of our suppliers are located in Israel and, therefore, our business, financial condition and results of operation may be adversely affected by political, economic and military instability in Israel.

Our principal offices, research and development facilities are located in northern Israel. In addition, most of our employees are residents of Israel. Accordingly, political, economic and military conditions in Israel may directly affect our business. Since the State of Israel was established in 1948, the State of Israel and its economy has experienced significant growth and expansion, coupled with an increase in the standard of living, and has developed one of the most advanced high-tech industries in the world. However, it continues to face many geo-political and other challenges that may affect companies located in Israel, such as ours. For example, a number of armed conflicts have occurred between Israel and its Arab neighbors. Although Israel has entered into various peace agreements with Egypt and Jordan as well as comprehensive agreements with the Palestinian Authority, there continues to be unrest and terrorist activity in Israel with varying levels of severity, as well as ongoing hostilities and armed conflicts between Israel and the Palestinian Authority and other groups in the West Bank and Gaza Strip. The effects of these hostilities and violence on the Israeli economy and our operations are unclear, and we cannot predict the effect on us of a further increase in these hostilities or any future armed conflict, political instability or violence in the region. We could be harmed by any major hostilities involving Israel, the interruption or curtailment of trade between Israel and its trading partners, boycotts or a significant downturn in the economic or financial condition of Israel. The impact of Israel's relations with its Arab neighbors in general, or on our operations in the region in particular, remains uncertain. The establishment of new fundamentalist Islamic regimes or governments more hostile to Israel could have serious consequences for the stability in the region, place additional political, economic and military confines upon Israel, materially adversely affect our operations and limit our ability to sell our products to countries in the region.

Additionally, several countries, principally in the Middle East, still restrict doing business with Israel and Israeli companies, and additional countries and groups have imposed or may impose restrictions on doing business with Israel and Israeli companies if hostilities in Israel or political instability in the region continues or increases. These restrictions may limit our ability to sell our products to companies in these countries. Furthermore, the Boycott, Divestment and Sanctions Movement, a global campaign attempting to increase economic and political pressure on Israel to comply with the stated goals of the movement, may gain increased traction and result in a boycott of Israeli products and services. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners, or significant downturn in the economic or financial condition of Israel, could adversely affect our business, results of operations and financial condition.

Our commercial insurance policy does not cover losses associated with armed conflicts and terrorist attacks. Although the Israeli government in the past covered the reinstatement value of certain damages that were caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained, or if maintained, will be sufficient to compensate us fully for damages incurred. Any losses or damages incurred by us could have a material adverse effect on our business.

Our operations could also be disrupted by the obligations of personnel to perform military service. Some of our employees in Israel may be called upon to perform up to 54 days in each three year period (and in the case of military officers, up to 84 days in each three year period) of military reserve duty until they reach the age of 40 (and in some cases, depending on their specific military profession up to 45 or even 49 years of age) and, in certain emergency circumstances, may be called to immediate and unlimited active duty. In response to increases in terrorist activity, there have been periods of significant call-ups of military reservists and it is possible that there will be similar large-scale military reserve duty call-ups in the future. Our operations could be disrupted by the absence of a significant number of employees related to military service, which could materially adversely affect our business and results of operations.

Pursuant to the terms of the Israeli government grants we received for research and development expenditures, we are obligated to pay certain royalties on our revenues to the Israeli government. The terms of the grants require us to satisfy specified conditions and to make additional payments in addition to repayment of the grants upon certain events.

We have received grants from the Government of the State of Israel through the IIA (formerly known as the OCS) for the financing of a portion of our research and development expenditures pursuant to the Research Law and related regulations. As of September 30, 2017, we had received funding from the IIA in the aggregate amount of \$1.4 million and had a contingent obligation to the IIA up to an aggregate amount of approximately \$1.4 million, which is generally repaid in the form of royalties ranging from 3% to 3.5% of revenues. As of September 30, 2017, we paid a minimal amount to the IIA. We may apply for additional IIA grants in the future. However, as the funds available for IIA grants out of the annual budget of the State of Israel have been reduced in the past and may be further reduced in the future, we cannot predict whether we will be entitled to any future grants, or the amounts of any such grants.

In exchange for these grants, we are required to pay the IIA royalties of 3% to 3.5% from our revenues on sales of products and services based on technology developed using IIA grants, up to an aggregate of 100% (which may be increased under certain circumstances) of the U.S. dollar-linked value of the grant, plus interest at the rate of 12-month LIBOR.

The terms of the Israeli government participation also require that products developed with IIA grants be manufactured in Israel and that the technology developed thereunder may not be transferred outside of Israel (including by way of certain licenses), unless prior approval is received from the IIA, which we may not receive. In addition, payment of additional amounts may be required if manufacturing is moved outside of Israel, in which case the royalty repayment rate is increased and the royalty ceiling can reach up to three times the amount of the grants received, and if IIA developed know-how is transferred outside of Israel, the royalty ceiling can reach up to six times the amount of grants received (plus interest). Even following the full repayment of any IIA grants, we must nevertheless continue to comply with the requirements of the Research Law. The foregoing restrictions and requirements for payment may impair our ability to sell our technology assets outside of Israel or to outsource or transfer development or manufacturing activities with respect to any IIA-funded product or technology outside of Israel.

If we fail to comply with any of the conditions and restrictions imposed by the Research Law, or by the specific terms under which we received the grants, we may be required to refund any grants previously received together with interest and penalties, and, in certain circumstances, may be subject to criminal charges.

A significant amendment to the Research Law entered into effect on January 1, 2016 and changed the structure of the OCS, to operate as a governmental corporation entitled the Israeli Innovation Authority or the IIA. Under such amendment, the IIA is authorized to determine rules concerning the ownership and exploitation of IIA/OCS-funded know-how (including with respect to restrictions on transfer of manufacturing activities and IIA-funded know-how outside of Israel), which may differ from the restrictive rules that apply today (which will remain in effect until any such rules have been established by the IIA). In May 2017, the IIA issued new rules applicable to Israeli companies that receive grants from the IIA or its predecessor, the OCS, which went into effect on July 1, 2017. As of the date hereof, we cannot predict the impact these new rules will have on us or how they will be implemented by the IIA. Furthermore, it is anticipated that additional rules will be published by the IIA and we cannot predict or estimate the changes (if any) that may be made to this legislation (including with respect to the acquisition of an IIA-funded entity or the transfer of manufacturing or ownership of IIA-funded technology).

It may be difficult to enforce a judgment of a U.S. court against us or the Israeli experts named in this prospectus in Israel or the United States, to assert U.S. securities laws claims in Israel or to serve process on these experts.

Opcio is incorporated in Israel. Our Israeli experts reside in Israel, and substantially all of our assets are located in Israel. Therefore, a judgment obtained against us, or any of such persons may not be collectible in the United States and may not be enforced by an Israeli court. It also may be difficult for you to effect service of process on such persons in the United States or to assert U.S. securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of U.S. securities laws on the grounds that Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proven as a fact by expert witnesses, which can be a time consuming and costly process. Certain matters of procedure would also be governed by Israeli law. There is little binding case law in Israel that addresses the matters described above. As a result of the difficulty associated with enforcing a judgment against us in Israel, you may not be able to collect any damages awarded by either a U.S. or foreign court.

We may become subject to claims for payment of compensation for assigned service inventions by our current or former employees, which could result in litigation and adversely affect our business.

Under the Israeli Patents Law, 5727-1967, or the Patents Law, inventions conceived by an employee during the scope of his or her employment are regarded as “service inventions” and are owned by the employer, absent a specific agreement between the employee and employer giving the employee service invention rights. The Patents Law also provides that if no such agreement between an employer and an employee exists, which prescribes whether, to what extent, and on what conditions the employee is entitled to remuneration for his or her service inventions, then such matters may, upon application by the employee, be decided by a government-appointed compensation and royalties committee established under the Patents Law. A significant portion of our intellectual property has been developed by our employees in Israel in the course of their employment. Such employees have agreed to waive and assign to us all rights to any intellectual property created in the scope of their employment with us, and most of our current employees, including all those involved in the development of our intellectual property, have agreed to waive economic rights they may have with respect to service inventions.

However, despite such contractual obligations, we cannot assure you that claims will not be brought against us by current or former employees demanding remuneration in consideration for assigned alleged service inventions or any other intellectual property rights. If any such claims were filed, we could potentially be required to pay remuneration to our current or former employees for such assigned service inventions or any other intellectual property rights, or be forced to litigate such claims, which could negatively affect our business.

IN ADDITION TO THE ABOVE RISKS, BUSINESSES ARE OFTEN SUBJECT TO RISKS NOT FORESEEN OR FULLY APPRECIATED BY OUR MANAGEMENT. IN REVIEWING THIS PROSPECTUS, POTENTIAL INVESTORS SHOULD KEEP IN MIND THAT THERE MAY BE OTHER POSSIBLE RISKS THAT COULD BE IMPORTANT.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains, and our officers and representatives may from time to time make, “forward-looking statements,” which include information relating to future events, future financial performance, financial projections, strategies, expectations, competitive environment and regulation. Words such as “may,” “should,” “could,” “would,” “predicts,” “potential,” “continue,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates,” “goal,” “seek,” “project,” “strategy,” “likely,” and similar expressions, as well as statements in future tense, identify forward-looking statements. Forward-looking statements are neither historical facts, nor should they be read as a guarantee of future performance or results and may not be accurate indications of when such performance or results will be achieved. Forward-looking statements are based on information we have when those statements are made or management’s good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

- our limited operating history;
- our history of operating losses in each year since inception and expectation that we will continue to incur operating losses for the foreseeable future;
- our current and future capital requirements to support our development and commercialization efforts for the Pure-Vu system and our ability to satisfy our capital needs;
- our dependence on the Pure-Vu system, our sole product candidate, which is still in development;
- our ability to obtain approval from regulatory agents in different jurisdictions for the Pure-Vu system;
- our Pure-Vu system and the procedure to cleanse the colon in preparation for colonoscopy are not currently reimbursable through private or governmental third-party payors;
- our lack of a developed sales and marketing organization and our ability to commercialize the Pure-Vu system;
- our dependence on third-parties to manufacture the Pure-Vu system;
- our ability to maintain or protect the validity of our patents and other intellectual property;
- our ability to retain key executives and medical and science personnel;
- our ability to internally develop new inventions and intellectual property;
- interpretations of current laws and the passages of future laws;
- acceptance of our business model by investors;
- the accuracy of our estimates regarding expenses and capital requirements; and
- our ability to adequately support growth.

The foregoing does not represent an exhaustive list of matters that may be covered by the forward-looking statements contained herein or risk factors that we are faced with that may cause our actual results to differ from those anticipate in our forward-looking statements. Please see “Risk Factors” beginning on page 7 for additional risks which could adversely impact our business and financial performance.

Moreover, new risks regularly emerge and it is not possible for our management to predict or articulate all risks we face, nor can we assess the impact of all risks on our business or the extent to which any risk, or combination of risks, may cause actual results to differ from those contained in any forward-looking statements. The Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act of 1933, as amended, do not protect any forward-looking statements that we make in connection with this offering. All forward-looking statements included in this prospectus are based on information available to us on the date of this prospectus. Except to the extent required by applicable laws or rules, we undertake no obligation to publicly update or revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained above and throughout this prospectus. We qualify all of our forward-looking statements by these cautionary statements.

IN ADDITION TO THE ABOVE RISKS, BUSINESSES ARE OFTEN SUBJECT TO RISKS NOT FORESEEN OR FULLY APPRECIATED BY OUR MANAGEMENT. IN REVIEWING THIS PROSPECTUS, POTENTIAL INVESTORS SHOULD KEEP IN MIND THAT THERE MAY BE OTHER POSSIBLE RISKS THAT COULD BE IMPORTANT.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately \$ 22.6 million from the sale of the shares of common stock offered in this offering, or approximately \$ 26.4 million if the underwriters exercise their over-allotment option in full, based on an assumed initial public offering price of \$ 6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus) and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ 6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus) would increase (decrease) the net proceeds to us from this offering, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, by approximately \$ 3.9 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same. We may also increase or decrease the number of shares we are offering. An increase (decrease) of 1,000,000 in the number of shares we are offering would increase (decrease) the net proceeds to us from this offering, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, by approximately \$ 5.5 million, assuming the initial public offering price stays the same. An increase of 1,000,000 in the number of shares we are offering, together with a \$1.00 increase in the assumed initial public offering price of \$ 6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus), would increase the net proceeds to us from this offering, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, by approximately \$ 10.4 million. A decrease of 1,000,000 in the number of shares we are offering, together with a \$1.00 decrease in the assumed initial public offering price of \$ 6.0 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus), would decrease the net proceeds to us from this offering, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, by approximately \$ 8.5 million. We do not expect that a change in the offering price or the number of shares by these amounts would have a material effect on our intended uses of the net proceeds from this offering, although it may impact the amount of time prior to which we may need to seek additional capital.

The principal purposes of this offering are to increase our financial flexibility, create a public market for our common stock and to facilitate our access to the public equity markets. We currently expect to use the net proceeds from this offering as follows:

- approximately \$ 8.0 million for commercialization activities related to our Pure-Vu system; and
- approximately \$ 8.0 million for research and development activities, including clinical and regulatory development and the continued development and enhancement of our Pure-Vu system.

We expect to use the remainder of the net proceeds from this offering for working capital and other general corporate purposes, including the costs of operating as a public company. Although we currently anticipate that we will use the net proceeds from this offering as described above, there may be circumstances where a reallocation of funds is necessary. The amounts and timing of our actual expenditures will depend upon numerous factors, including our sales and marketing and commercialization efforts, demand for our products, our operating costs and the other factors described under “Risk Factors” in this prospectus. Accordingly, our management will have flexibility in applying the net proceeds from this offering. An investor will not have the opportunity to evaluate the economic, financial or other information on which we base our decisions on how to use the proceeds.

Although we may use a portion of the net proceeds of this offering for the acquisition or licensing, as the case may be, of additional technologies, other assets or businesses, or for other strategic investments or opportunities, we have no current understandings, agreements or commitments to do so.

Pending our use of the net proceeds from this offering, we intend to invest the net proceeds in a variety of capital preservation investments, including short-term, investment-grade, interest-bearing instruments and U.S. government securities.

DIVIDEND POLICY

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

In addition, the ability of Opco, our direct wholly-owned operating subsidiary, to distribute dividends may be limited by Israeli law. The Israeli Companies Law, 1999, or the Israeli Companies Law, restricts Opco's ability to declare dividends. Unless otherwise approved by a court, Opco can distribute dividends only from "profits" (as defined by the Israeli Companies Law). Dividends may be paid with the approval of a court, at a company's request, provided that there is no reasonable concern that payment of the dividend will prevent the company from satisfying its current and foreseeable obligations, as they become due.

The payment of dividends by Opco to Holdings may be subject to Israeli withholding taxes.

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2017:

- on an actual basis;
- on a pro forma basis to give effect to the conversion upon consummation of this offering of all of our outstanding shares of Series A Convertible Preferred Stock into an aggregate of 1,581,128 shares of common stock; and
- on a pro forma as-adjusted basis to reflect the issuance and sale by us of 4,250,000 shares of our common stock in this offering at the assumed initial public offering price of \$ 6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus), after deducting underwriting discounts and commissions and estimated offering expenses payable by us and the receipt by us of the proceeds of such sale.

You should read this information together with the sections entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” as well as our financial statements and the related notes, which appear elsewhere in this prospectus.

| | As of September 30, 2017 | | |
|--|---------------------------------------|------------------|--------------------------|
| | Actual | Pro Forma | Pro Forma as Adjusted |
| | (unaudited) | | |
| | (in thousands, except per share data) | | |
| Cash and cash equivalents | \$ 9,827 | \$ 9,827 | \$32,387 |
| Other long-term liabilities | \$ 1,616 | \$ 1,616 | \$ 1,616 |
| Stockholders' equity (deficit): | | | |
| Common stock, \$0.0001 par value; 50,000,000 authorized, 10,491,844 issued and outstanding (actual); 12,072,972 issued and outstanding (pro forma); issued and outstanding (pro forma as adjusted) | 1 | 1 | 2 |
| Preferred series A stock, \$0.0001 par value; 2,000,000 authorized, 1,581,128 (actual); zero issued and outstanding (pro forma and pro forma as adjusted) | * | - | - |
| Preferred stock, \$0.0001 par value; 8,000,000 authorized, zero issued and outstanding (actual), 10,000,000 authorized, zero issued and outstanding (pro forma and pro forma as adjusted) | - | - | - |
| Additional paid-in capital | 44,317 | 44,317 | 66,876 |
| Accumulated deficit | (35,348) | (35,348) | (35,348) |
| Total shareholders' equity | <u>8,970</u> | <u>8,970</u> | <u>31,530</u> |
| Total capitalization | <u>\$ 10,586</u> | <u>\$ 10,586</u> | <u>\$ 33,146</u> |

* Represents amounts less than one thousand

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ 6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus) would increase (decrease) the amount of cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization on a pro forma as adjusted basis by approximately \$ 3.9 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of one million shares offered by us would increase (decrease) cash and cash equivalents, total stockholders' equity and total capitalization on a pro forma as adjusted basis by approximately \$ 5.5 million, assuming the assumed initial public offering price of \$ 6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus) remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Each one million share increase in the number of shares offered by us together with a concomitant \$1.00 increase in the assumed initial public offering price of \$ 6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus) would increase each of cash and cash equivalents and total stockholders' equity by approximately \$ 10.4 million after deducting underwriting discounts and commissions and any estimated offering expenses payable by us. Conversely, each one million share decrease in the number of shares offered by us together with a concomitant \$1.00 decrease in the assumed initial public offering price of \$ 6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus) would decrease each of cash and cash equivalents and total stockholders' equity by approximately \$ 8.5 million after deducting underwriting discounts and commissions and any estimated offering expenses payable by us. The pro forma as adjusted information discussed above is illustrative only and will be adjusted based on the actual public offering price and other terms of this offering determined at pricing.

The number of shares of our common stock to be outstanding upon completion of this offering is based on 12,072,972 shares of our common stock outstanding as of September 30, 2017 and excludes:

- 1,836,845 shares of our common stock issuable upon the exercise of outstanding stock options issued under our equity incentive plan as of September 30, 2017, at exercise prices ranging from \$2.38 to \$4.50 per share, following the modification of share-based payment awards on September 29, 2017, and 47,000 shares of our common stock issuable upon the exercise of outstanding stock options issued under our equity incentive plan after September 30, 2017, at an exercise price equal to the offering price per share in this offering, and 80,715 shares of our common stock issuable upon the exercise of outstanding stock options issued under our equity incentive plan forfeited after September 30, 2017;
- 168,373 additional shares of our common stock reserved for future issuance under our 2016 Equity Incentive Plan as of September 30, 2017;
- 629,594 additional shares of our common stock reserved for future issuance under our 2016 Equity Incentive Plan resulting from the annual increase in the number of shares of our common stock available for issuance under the 2016 Equity Incentive Plan as of January 1, 2018 (see “Executive Compensation - Description of the 2016 Equity Incentive Plan - Shares Subject to the 2016 Plan”).
- 907,237 shares of our common stock issuable upon the exercise of the Exchange Warrants (defined below, see “Business - Exchange of Convertible Note Warrants”), at an exercise price of \$5.00 per share;
- 403,632 shares of our common stock issuable upon the exercise of the Placement Agent Warrants (defined below, see “Description of Securities – Warrants – Placement Agent Warrants”), at an exercise price of \$5.00 per share;
- 1,389 shares of our common stock issued to a service provider in October 2017;
- 30,000 shares of our common stock issuable upon the exercise of a consultant warrant, at an exercise price of \$8.00 per share; and
- 1,095,682 shares of our common stock issuable upon the exercise of the Ten Percent Warrants (defined below, see “Description of Securities – Warrants”), at an exercise price equal to the offering price per share in this offering, to be issued upon completion of this offering.

DILUTION

If you invest in our common stock in this offering, your ownership interest will be immediately diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock immediately after this offering.

Our historical net tangible book value is the amount of our total tangible assets less our total liabilities. Net historical tangible book value per share is our historical net tangible book value divided by the number of shares of common stock outstanding as of September 30, 2017. Our historical net tangible book value as of September 30, 2017 was \$9.0 million, or \$0.85 per share of common stock. Pro forma net tangible book value (deficit) gives effect to the conversion upon consummation of this offering of all of our outstanding shares of Series A Convertible Preferred Stock into an aggregate of 1,581,128 shares of common stock. Our pro forma net tangible book value as of September 30, 2017 would have been approximately \$9.0 million, or \$0.74 per share of our pro forma outstanding common stock.

Pro forma as adjusted net book value is our pro forma net tangible book value, plus the effect of the sale of shares of our common stock in this offering at the assumed initial public offering price of \$ 6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus) and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. Our pro forma as adjusted net book value as of September 30, 2017 would have been approximately \$ 31.5 million, or \$ 1.93 per share. This amount represents an immediate increase in pro forma as adjusted net tangible book value of \$ 1.19 per share to our existing stockholders, and an immediate dilution of \$ 4.07 per share to new investors participating in this offering. Dilution per share to new investors is determined by subtracting pro forma as adjusted net tangible book value per share after this offering from the initial public offering price per share paid by new investors.

The following table illustrates this dilution on a per share basis:

| | | |
|--|----|--------|
| Assumed initial public offering price per share | \$ | 6.00 |
| Historical net tangible book value (deficit) per share as of September 30, 2017 | \$ | 0.85 |
| Pro forma increase (decrease) in net tangible book value per share attributable to the conversion of preferred stock | | (0.11) |
| Pro forma net tangible book value per share as of September 30, 2017 | | 0.74 |
| Pro forma increase in net tangible book value per share attributable to new investors | | 1.19 |
| Pro forma as adjusted net tangible book value per share, after giving effect to this offering | | 1.93 |
| Dilution of pro forma as adjusted net tangible book value per share to new investors | \$ | 4.07 |

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ 6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus) would increase (decrease) the pro forma as adjusted net tangible book value, by \$ 0.24 per share and would decrease (increase) the dilution to new investors by \$ 0.24 per share, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and commissions and estimated expenses payable by us. Each increase of one million shares offered by us would increase the pro forma as adjusted net tangible book value by \$ 0.21 per share and decrease the dilution to new investors by \$ 0.21 per share, assuming the assumed initial public offering price of \$ 6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus) remains the same and after deducting underwriting discounts and commissions and estimated expenses payable by us. Similarly, each decrease of one million shares offered by us would decrease the pro forma as adjusted net tangible book value by \$ 0.23 per share and increase the dilution to new investors by \$ 0.23 per share, assuming the assumed initial public offering price of \$ 6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus) remains the same and after deducting underwriting discounts and commissions and estimated expenses payable by us. Each one million share increase in the number of shares offered by us together with a concomitant \$1.00 increase in the assumed initial public offering price of \$ 6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus) would increase the pro forma as adjusted net tangible book value by \$ 0.49 per share and decrease the dilution to new investors by \$ 0.49 per share, after deducting underwriting discounts and commissions and any estimated offering expenses payable by us. Conversely, each one million share decrease in the number of shares offered by us together with a concomitant \$1.00 decrease in the assumed initial public offering price of \$ 6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus) would decrease the pro forma as adjusted net tangible book value by \$ 0.43 per share and increase the dilution to new investors by \$ 0.43 per share, after deducting underwriting discounts and commissions and any estimated offering expenses payable by us.

If the underwriters exercise their over-allotment option in full, the pro forma as adjusted net tangible book value per share after giving effect to this offering would be \$ 2.08 per share, which amount represents an immediate increase in the pro forma as adjusted net tangible book value of \$ 1.34 per share of our common stock to existing stockholders and an immediate dilution in net tangible book value of \$ 3.92 per share of our common stock to new investors purchasing shares of common stock in this offering.

If any shares are issued upon the exercise of outstanding options or warrants, you will experience further dilution. The above discussion and table are based on 12,072,972 shares of our common stock outstanding as of September 30, 2017 and excludes:

- 1,836,845 shares of our common stock issuable upon the exercise of outstanding stock options issued under our equity incentive plan as of September 30, 2017, at exercise prices ranging from \$2.38 to \$4.50 per share, following the modification of share-based payment awards on September 29, 2017, and 47,000 shares of our common stock issuable upon the exercise of outstanding stock options issued under our equity incentive plan after September 30, 2017, at an exercise price equal to the offering price per share in this offering, and 80,715 shares of our common stock issuable upon the exercise of outstanding stock options issued under our equity incentive plan forfeited after September 30, 2017;
- 168,373 additional shares of our common stock reserved for future issuance under our 2016 Equity Incentive Plan as of September 30, 2017;
- 629,594 additional shares of our common stock reserved for future issuance under our 2016 Equity Incentive Plan resulting from the annual increase in the number of shares of our common stock available for issuance under the 2016 Equity Incentive Plan as of January 1, 2018 (see “Executive Compensation - Description of the 2016 Equity Incentive Plan - Shares Subject to the 2016 Plan”).
- 907,237 shares of our common stock issuable upon the exercise of the Exchange Warrants (defined below, see “Business - Exchange of Convertible Note Warrants”), at an exercise price of \$5.00 per share;
- 403,632 shares of our common stock issuable upon the exercise of the Placement Agent Warrants (defined below, see “Description of Securities – Warrants – Placement Agent Warrants”), at an exercise price of \$5.00 per share;
- 1,389 shares of our common stock issue to a service provider in October 2017;
- 30,000 shares of our common stock issuable upon the exercise of a consultant warrant, at an exercise price of \$8.00 per share; and
- 1,095,682 shares of our common stock issuable upon the exercise of the Ten Percent Warrants (defined below, see “Description of Securities – Warrants”), at an exercise price equal to the offering price per share in this offering, to be issued upon completion of this offering.

The following table summarizes, on the pro forma as adjusted basis described above as of September 30, 2017, the difference between the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid to us by our existing stockholders and by new investors purchasing shares of common stock in this offering at the assumed initial public offering price of \$ 6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus) before the deduction of underwriting discounts and commissions and estimated offering expenses payable by us. Investors purchasing shares of our common stock in this offering will pay an average price per share higher than our existing stockholders paid.

| | <u>Shares Purchased</u> | | <u>Total Consideration</u> | | <u>Average</u> |
|---|-------------------------|----------------|----------------------------|----------------|------------------|
| | <u>Number</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> | <u>Price</u> |
| | | | | | <u>Per Share</u> |
| Existing stockholders before this offering(1) | 12,072,972 | 74% | \$43,819,879 | 63% | \$ 3.63 |
| New Investors participating in this offering | 4,250,000 | 26% | 25,500,000 | 37% | 6.00 |
| Total(2) | 16,322,972 | 100% | 69,319,879 | 100% | 4.25 |

(1) To the extent all of our outstanding options and warrants described above were exercised, for the existing shareholders, the number of shares purchased and the percent in the above table would be 17,144,335 and 80% , respectively, the total consideration amount and percent in the above table would be \$70,016,248 and 73% , respectively, and the average price per share would be \$ 4.08 .

(2) To the extent all of our outstanding options and warrants described above were exercised, the number of shares purchased in the above table would be 21,394,335 , the total consideration amount in the above table would be \$95,516,248 , and the average price per shares would be \$4.46 .

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus) would increase (decrease) the total consideration paid by new investors by \$4.25 million , and increase (decrease) the percentage of total consideration paid by new investors by approximately 4.0% , assuming that the number of shares offered by us, as listed on the cover page of this prospectus, remains the same.

Similarly, each increase (decrease) of one million shares in the number of shares of common stock offered by us would increase (decrease) the total consideration paid by new investors by \$6.00 million and increase (decrease) the percentage of total consideration paid by new investors by approximately 5.5% assuming that the assumed initial public offering price of \$6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus) price remains the same.

In addition to the shares reserved for the directed share program described below, all of our directors and executive officers, and certain of our existing stockholders, including Perceptive Life Sciences Master Fund Ltd., and stockholders affiliated with certain of our directors, have indicated an interest in purchasing up to an aggregate of approximately \$7.5 million in shares of our common stock in this offering at the initial public offering price. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters could determine to sell more, less or no shares to any of these potential investors and any of these potential investors could determine to purchase more, less or no shares in this offering.

At our request, the underwriters have reserved for sale at the initial public offering price up to 212,500 shares of common stock, or five percent (5%) of the shares offered by this prospectus, for our employees and other persons associated with us. The number of shares of common stock available for sale to the general public in the offering will be reduced by the number of shares sold pursuant to the directed share program. Any directed shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus. The directed share program will be arranged through Piper Jaffray & Co. The foregoing discussion and tables do not reflect any potential purchases by these potential investors or their affiliated entities.

After giving effect to the purchase of shares in this offering by these existing stockholders and pursuant to the directed share program, assuming an initial public offering price of \$6.00 per share, the mid-point of the price range set forth on the cover page of this prospectus, our existing stockholders will hold 76.0% (73.0% if the underwriters exercise their over-allotment in full) of our common stock outstanding after this offering based on 12,072,972 shares of our common stock outstanding as of September 30, 2017. The new investors purchasing the remaining shares in this offering will hold 24.0% (27.0% if the underwriters exercise their over-allotment in full) of our common stock outstanding after this offering.

We may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities may result in further dilution to new investors participating in this offering.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

We have developed a single-use medical device system (the "Pure-Vu system"), cleared by the United States Food and Drug Administration (the "FDA"), that is intended to connect to standard colonoscopes to help facilitate intraprocedural cleaning of a poorly prepared colon by irrigating or cleaning the colon and evacuating the irrigation fluid (water), feces and other bodily fluids and matter. The Pure-Vu system has been designed to integrate with standard colonoscopes to enable cleaning during the procedure while preserving standard procedural workflow and techniques. Our Pure-Vu system and the procedure to cleanse the colon in preparation for colonoscopy are not currently reimbursable through private or governmental third-party payors in any country, but we intend to seek reimbursement through private or governmental third-party payors in the future. We do not currently promote a particular prep regimen as this is left up to the discretion of the physician since our current indication does not reference any preparation protocol. We will look to expand the Pure-Vu system indication to allow us to actively promote minimal prep capabilities directly to patients. We plan to initiate a clinical trial in 2018 that should facilitate approval of expanded labeling in 2019. To date, as part of our limited pilot launch, we have focused on collecting clinical data on the use of the Pure-Vu system. We do not expect to generate significant revenue from product sales unless and until we expand our commercialization efforts.

Our business was founded within the New Generation Technology ("NGT") incubator based in Nazareth, Israel in 2008 to develop innovative endoscopy technologies, and in 2011, the business was spun out into a new company focused exclusively on the development of the Pure-Vu system. We initiated preclinical testing in 2011 and started clinical testing of the first prototype version of the Pure-Vu system in Europe in late 2012. In clinical studies performed in Europe and Israel from 2012 through the second quarter of 2017, the Pure-Vu system and earlier prototype versions have demonstrated effective cleaning in over 175 patients that followed a significantly reduced pre-procedural colonoscopy preparation regimen, as compared to current prep regimens.

Financial Operations Overview

We are a development stage company and have not generated any significant revenues from the sale of products. We have never been profitable and our accumulated deficit as of September 30, 2017 was approximately \$35.3 million. Our net loss for the nine months ended September 30, 2017 and 2016 was approximately \$9.4 million and \$5.2 million, respectively. Our net loss for the years ended December 31, 2016 and 2015 was approximately \$8.0 million and \$6.0 million. We expect to incur significant expenses and increasing operating losses for the foreseeable future. We expect our expenses to increase significantly in connection with our ongoing activities to commercialize and market the Pure-Vu system. Furthermore, we expect to incur additional costs associated with operating as a public company. Accordingly, we will need additional financing to support our continuing operations. We will seek to fund our operations through public or private equity or debt financings or other sources, which may include collaborations with third parties. Adequate additional financing may not be available to us on acceptable terms, or at all. Our failure to raise capital as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy. We will need to generate significant revenues to achieve profitability, and we may never do so.

We expect to continue to incur significant expenses and increasing operating losses for at least the next several years. We expect our expenses will increase substantially in connection with our ongoing activities, as we:

- conduct a limited pilot launch through 2018 to refine how the Pure-Vu system integrates into the workflow of both the out-patient and in-patient settings;
- manufacture the Pure-Vu system in our facility in Israel to support the initial pilot launch in the U.S.;
- contract with third parties to transfer and scale up the manufacture of the workstation and the disposable portion of Pure-Vu system;
- develop a second generation system to improve user interface, optimize ease of use and reduce the cost structure;
- raise sufficient funds in the capital market to effectuate our business plan, including commercialization activities related to our Pure-Vu system and our research and development activities, including clinical and regulatory development and the continued development and enhancement of our Pure-Vu system; and
- operate as a public company.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management 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 and the reported amounts of revenues and expenses during the reporting period.

On an ongoing basis, we evaluate our estimates and judgments for all assets and liabilities, including those related to fair value calculations for equity securities, assessing contingent liabilities, establishing valuation allowances for deferred taxes, and the recovery of deferred costs. We base our estimates and judgments on historical experience, current economic and industry conditions and on various other factors that are believed to be reasonable under the circumstances. This forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe that full consideration has been given to all relevant circumstances that we may be subject to, and the consolidated financial statements accurately reflect our best estimate of the results of operations, financial position and cash flows for the periods presented.

Revenue

To date, as part of our limited launch, we have generated some revenue from the sales of products. We do not expect to generate significant revenue from product sales unless and until we expand our commercialization efforts for the Pure-Vu system, which we expect will take a number of years and is subject to significant uncertainty.

Research and Development

We incurred expenses of approximately \$2.7 million and \$2.4 million, respectively, during the nine months ended September 30, 2017 and 2016 for research and development activities. We incurred expenses of approximately \$3.1 million and \$3.2 million, respectively, during the years ended December 31, 2016 and 2015 for research and development activities. These expenses include cash and non-cash expenses relating to the advancement of our development and clinical programs for the Pure-Vu system. We have research and development capabilities in electrical and mechanical engineering with laboratories in our facility in Israel for development and prototyping, and electronics design and testing. We also use consultants and third-party design houses to complement our internal capabilities.

Sales and Marketing

We incurred expenses of approximately \$1.6 million and \$0.7 million, respectively, during the nine months ended September 30, 2017 and 2016 for sales and marketing activities. We incurred expenses of approximately \$1.0 million and \$0.4 million, respectively, during the years ended December 31, 2016 and 2015 for sales and marketing activities. These expenses include cash and non-cash expenses relating to the development of our sales and marketing infrastructure for the Pure-Vu system. We have hired limited sales and marketing personnel in the U.S. as part of our pilot launch to develop our policies and procedures, as well as to spearhead the pilot phase of the company's market penetration.

General and Administrative Expenses

We incurred expenses of approximately \$4.9 million and \$1.3 million, respectively, during the nine months ended September 30, 2017 and 2016 for general and administrative activities. We incurred expenses of approximately \$1.9 million and \$1.8 million, respectively, during the years ended December 31, 2016 and 2015 for general and administrative activities. General and administrative expenses consist primarily of payroll and professional services. Other general and administrative expenses include accounting and legal services and expenses associated with obtaining and maintaining patents. We anticipate that our general and administrative expenses will increase significantly during 2017 and in the future as we increase our headcount to support our continued development and commercialization activities related to our Pure-Vu system. We also anticipate increased expenses related to audit, legal, regulatory, and tax-related services associated with maintaining compliance with exchange listing and SEC requirements, director and officer insurance premiums, and investor relations costs associated with being a public company. Additionally, commencing in 2017, we began to compensate our outside directors.

Stock-Based Compensation

In 2016, we adopted the 2016 Equity Incentive Plan. No new equity awards were issued pursuant to the 2016 Equity Incentive Plan as of December 31, 2016, however all of the issued and outstanding options to purchase or otherwise acquire shares of Opco capital stock that were outstanding and unexercised as of immediately prior to the Initial Closing were substituted for 125,730 options to acquire shares of our common stock pursuant to our 2016 Equity Incentive Plan on the date of the Initial Closing. Equity awards, including options to purchase 1,973,769 shares of our common stock at an exercise price of \$4.50 per share, following the modification of such share-based payment awards on September 29, 2017, unrestricted stock awards for 5,000 shares of our common stock were issued pursuant to the 2016 Equity Incentive Plan from January 1, 2017 through September 30, 2017. The fair value of the equity awards granted under the 2016 Equity Incentive Plan was \$3,670,362. Compensation expense for equity awards is recognized over the period of service, which is generally the vesting period.

Emerging Growth Company Status

Under Section 107(b) of the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Results of Operations

Comparison of Nine Months Ended September 30, 2017 and 2016

Research and Development. Research and development expenses for the nine months ended September 30, 2017 totaled \$2.7 million, an increase of \$0.3 million, or 12.5%, from the \$2.4 million recorded for the nine months ended September 30, 2016. The \$0.3 million increase was primarily attributed to an increase of \$0.4 million in research and development material cost, \$0.6 million increase in salaries and wages, \$0.2 million increase in stock compensation and other research and development cost which was partially offset with a \$0.9 million decrease in to consultants and subcontractor costs.

Sales and Marketing. Sales and marketing expense for the nine months ended September 30, 2017 totaled \$1.6 million, an increase of \$0.9 million, or 128.6%, from the \$0.7 million recorded for the nine months ended September 30, 2016. The \$0.9 million increase was primarily attributed to an increase of \$0.6 million in salaries and wages, \$0.1 million increase in travel related cost and \$0.3 million increase in stock compensation and other sales and marketing cost.

General and Administrative. General and administrative expense for the nine months ended September 30, 2017 totaled \$4.9 million, an increase of \$3.6 million, or 276.9%, from the \$1.3 million recorded for the nine months ended September 30, 2016. The \$2.7 million increase was primarily attributed to an increase of \$0.5 million in salaries and wages, \$0.2 million increase in rent and office related expenses, \$1.3 million increase in professional and consulting fees, \$1.6 million increase in stock compensation and other general and administrative cost.

Comparison of Year Ended December 31, 2016 and 2015

Research and Development. Research and development expenses for the year ended December 31, 2016 totaled \$3.1 million, a slight decrease of \$0.1 million, or 3.1%, from the \$3.2 million recorded for the year ended December 31, 2015. The \$0.1 million decrease was primarily attributed to a decrease of \$0.9 million in research and development material cost, \$0.2 million decrease in salaries and wages which was partially offset with a \$0.7 million increase in consultants and subcontractors cost, \$0.2 million increase in clinical related costs and a \$0.1 million increase in patent and other research and development cost

Sales and Marketing. Sales and marketing expense for the year ended December 31, 2016 totaled \$1.0 million, an increase of \$0.6 million, or 150%, over the \$0.4 million recorded for the year ended December 31, 2015. The \$0.6 million increase was primarily attributed to an increase of \$0.6 million in salaries and wages, \$0.1 million increase in travel and other sales and marketing cost partially offset with a \$0.1 million decrease in professional services.

General and Administrative. General and administrative expense for the year ended December 31, 2016 totaled \$1.9 million, a slight increase of \$0.1 million, or 5.6%, over the \$1.8 million recorded for the year ended December 31, 2015. The \$0.1 million increase was primarily attributed to an increase \$0.3 million increase in professional and consulting fees, \$0.2 million increase in travel other general and administrative cost partially offset with a \$0.4 million decrease in salaries and wages expenses.

Liquidity and Capital Resources

Since inception, we have experienced negative cash flows from operations. We have financed our operations primarily through sales of equity-related securities and convertible notes. At September 30, 2017, our accumulated deficit since inception was approximately \$35.3 million.

At September 30, 2017, we had total current assets of approximately \$10.8 million and current liabilities of approximately \$1.2 million resulting in working capital of \$9.6 million. At September 30, 2017, we had total assets of approximately \$11.8 million and total liabilities of approximately \$2.8 million, resulting in net assets of \$9.0 million.

Net cash used in operating activities for the nine months ended September 30, 2017 was approximately \$7.6 million, which includes cash used from a net loss of approximately \$9.4 million and \$0.8 million of cash used from an increase in accounts receivable, inventory, prepaid and vendor deposits, and other current and long-term assets. This was partially offset by an increase in accounts payable and other current liabilities of \$0.4 million and by non-cash items included in the net loss of \$2.1 million in stock-based compensation and revaluation of convertible notes and other long-term liabilities.

Net cash used in operating activities for the twelve months ended December 31, 2016 was approximately \$6.1 million, which includes cash used from a net loss of approximately \$8.0 million, cash used from a decrease in accounts payable expenses totaling \$0.4 million and \$0.2 million of cash used from an increase in inventory and other current assets. This was offset by non-cash items included in the net loss of \$2.0 million for interest and revaluation of convertible notes and a \$0.4 million increase in other payables.

Net cash provided from financing activities for the nine months ended September 30, 2017 totaled approximately \$6.5 million from the issuance of our common stock and preferred stock in the 2017 Private Placement net of issuance costs.

Net cash provided from financing activities for the twelve months ended December 31, 2016 totaled approximately \$16.5 million from the issuance of our common stock and preferred stock in the 2017 Private Placement. A summary table of the net cash proceeds received from convertible notes and the sale of equity in the 2017 Private Placement is as follows:

| | | |
|---|----|--------|
| Net proceeds from issuance of convertible notes | \$ | 9,606 |
| Net proceeds from issuance of equity - common and preferred | \$ | 6,878 |
| Total Net proceeds | \$ | 16,484 |

Net cash used in investing activities was \$0.7 million for the nine months ended September 30, 2017.

Net cash used in investing activities was only \$6,000 for the twelve months ended December 31, 2016.

At September 30, 2017, we had no debt outstanding.

At September 30, 2017, we had a cash and cash equivalents balance of approximately \$9.8 million. We have included a going concern provision in our financial statements as of December 31, 2016 and September 30, 2017, expressing substantial doubt that we can continue as an ongoing business for the next twelve months without additional financing. However, we believe our current cash and cash equivalents, together with the net proceeds from this offering, will be sufficient to meet our anticipated cash requirements over at least the next 18 months. We will need to raise significant additional capital to fund commercialization activities related to our Pure-Vu system. The source, timing and availability of any future financing will depend principally upon market conditions, and, more specifically, on the progress of our U.S. market entry strategy. Funding may not be available when needed, at all, or on terms acceptable to us. Lack of necessary funds may require us, among other things, to delay, scale back or eliminate our market entry strategy.

Contractual Obligations and Commitments

We may enter into contracts in the normal course of business with suppliers and other vendors for operating purposes. These contracts generally provide for termination on notice, and therefore we believe that our non-cancelable obligations under these agreements are not material. As of December 31, 2016 and September 30, 2017, we had no material contractual obligations or commitments that will affect our future liquidity.

On January 1, 2015, we entered into a five year lease for a facility with 7,732 square feet of space in Tirat Carmel, Israel. Annual rent is \$82,000 per year.

On April 13, 2017, we entered into a lease for a facility in Fort Lauderdale, Florida, which we began occupying in October 2017. The facility currently consists of 4,554 square feet, which will increase to 6,390 square feet by the second year of the lease. The term will run for seven years and two months from October 2017. Annual base rent is initially \$156,555 per year, subject to annual increases of 2.75%.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under SEC rules, such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheets.

Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk. Our exposure to market risk includes interest income sensitivity, which is affected by changes in the general level of U.S. interest rates. However, because of the short-term nature of the instruments in our portfolio, a sudden change in market interest rates would not be expected to have a material impact on our financial condition and/or results of operation. We do not have any derivative financial instruments.

Foreign Currency Exchange Rate Risk. The U.S. dollar is our functional and reporting currency. However, a significant portion of our operating expenses, including personnel and facilities related expenses, are incurred in NIS. As a result, we are exposed to the risks that the NIS may appreciate relative to the U.S. dollar, or, if the NIS instead devalues relative to the U.S. dollar, that the inflation rate in Israel may exceed such rate of devaluation of the NIS, or that the timing of such devaluation may lag behind inflation in Israel. In any such event, the dollar cost of our operations in Israel would increase and our dollar-denominated results of operations would be adversely affected. Given our general lack of currency hedging arrangements to protect us from fluctuations in the exchange rates of the NIS and other foreign currencies in relation to the U.S. dollar (and/or from inflation of such foreign currencies), we may be exposed to material adverse effects from such movements. We cannot predict any future trends in the rate of inflation in Israel or the rate of devaluation (if any) of the NIS against the U.S. dollar.

BUSINESS

Overview

We have developed a single-use medical device system (the “Pure-Vu system”), cleared by the United States Food and Drug Administration (the “FDA”), that is intended to connect to standard colonoscopes to help facilitate intraprocedural cleaning of a poorly prepared colon by irrigating or cleaning the colon and evacuating the irrigation fluid (water), feces and other bodily fluids and matter. The Pure-Vu system has been designed to integrate with standard colonoscopes to enable cleaning during the procedure while preserving standard procedural workflow and techniques. Our Pure-Vu system and the procedure to cleanse the colon in preparation for colonoscopy are not currently reimbursable through private or governmental third-party payors in any country, but we intend to seek reimbursement through private or governmental third-party payors in the future. We do not currently promote a particular prep regimen as this is left up to the discretion of the physician since our current indication does not reference any preparation protocol. We will look to expand the Pure-Vu system indication to allow us to actively promote minimal prep capabilities directly to patients. We plan to initiate a clinical trial in 2018 that should facilitate approval of expanded labeling in 2019. To date, as part of our limited pilot launch, we have focused on collecting clinical data on the use of the Pure-Vu system. We do not expect to generate significant revenue from product sales unless and until we expand our commercialization efforts.

Our business was founded within the New Generation Technology (“NGT”) incubator based in Nazareth, Israel in 2008 to develop innovative endoscopy technologies, and in 2011, the business was spun out into a new company focused exclusively on the development of the Pure-Vu system. We initiated preclinical testing in 2011 and started clinical testing of the first prototype version of the Pure-Vu system in Europe in late 2012. In clinical studies performed in Europe and Israel from 2012 through the second quarter of 2017, the Pure-Vu system and earlier prototype versions have demonstrated effective cleaning in over 175 patients that followed a significantly reduced pre-procedural colonoscopy preparation regimen, as compared to current prep regimens.

Market Overview

Colonoscopies are one of the most frequently performed medical procedures with over 15 million colonoscopies performed in the U.S. every year and close to 30 million worldwide. In the U.S., approximately 90% of the 15 million colonoscopies are performed as out-patient procedures (13.5 million) at an ambulatory endoscopy center, or AEC, and/or hospital out-patient departments, or HOPD, and 10% as in-patient procedures (1.5 million) in hospitals. The veteran population represents approximately 250,000 colonoscopies performed annually. Approximately 60% of colonoscopies are performed to detect and prevent colorectal cancer, or CRC, which is the second leading cause of cancer-related deaths in the U.S. with approximately 140,000 new cases diagnosed and 50,000 deaths every year. Over the past few decades, CRC has been demonstrated to be one of the most preventable cancers through the use of colonoscopies, which is the gold standard for CRC screening. The remaining 40% of colonoscopies are performed to help diagnose and treat other gastrointestinal, or GI, conditions including irritable bowel syndrome, or IBS, inflammatory bowel disease, or IBD, anemia and lower GI bleeding.

Despite the pervasiveness and effectiveness of colonoscopy, a key ongoing clinical challenge of the procedure is that patients are required to undergo a potent pre-procedure bowel preparation regimen to try to ensure that the colon is fully cleansed to enable clear visualization of the tissue. The regimens can be highly disruptive and uncomfortable for many patients. In fact, approximately 57% of patients cite not wanting to take the bowel preparation as the number one deterrent for the procedure. Further, it has been widely reported that approximately 23% of out-patients and it has been estimated that approximately 45% of in-patients present with inadequately prepped colons, resulting in a number of colonoscopies that yield poor diagnostic accuracy or failed colonoscopies that must be repeated. It has also been widely reported that patients requiring frequent colonoscopies, such as CRC survivors and other surveillance patients, account for approximately 21% of the out-patient colonoscopies performed annually in the U.S., and that patients with lower GI bleeding or poorly prepared colons represent approximately 45% of in-patient colonoscopies performed annually in the U.S. Another key problem is that approximately 35% of eligible patients are not current with their CRC screening in the U.S. based on current guidelines. One of the primary reasons patients fail to get a screening colonoscopy or to return for follow-up procedures is the unwillingness to undergo or dislike of the potent and unpleasant preparation required prior to the procedure.

Successful bowel preparation is one of the most important factors in delivering a thorough, high quality exam and is well documented to have a direct impact on the ADR (the rate of detecting pre-cancer anomalies in the colon tissue), which in turn predicts a decrease in CRC risk. The preparation regimen typically requires patients to be on a liquid diet for over 24 hours, drink up to four liters of a purgative, spend up to 12 hours prior to the exam periodically going to the bathroom to empty their bowels, and disrupting their daily activities, which could include missing work or other activities. The cleansing process is well known to be inconvenient and uncomfortable for many patients resulting in approximately twenty three percent (23%) of patients arriving for their colonoscopy inadequately cleansed. An inadequately prepared colon can impact the diagnostic accuracy of the procedure and can lead to procedures having to be repeated earlier than the medical guidelines advise or can lead to failed procedures especially in the in-patient setting. Rescheduling the procedure is inconvenient to the patient (and many patients fail to come for their follow-up), creates inefficiencies in the provider’s workflow, and increases the length of hospital stay for the in-patient, each of which results in increased healthcare costs.

Our Pure-Vu Solution

To address this unmet need, we have developed our FDA-cleared Pure-Vu system, which readily integrates with existing colonoscopes to cleanse poorly prepped colons during the colonoscopy procedure. The Pure-Vu system has been cleared by the FDA to help facilitate intra-procedural cleaning of a poorly prepared colon by irrigating or cleaning the colon and evacuating the irrigation fluid (water), feces and other bodily fluids and matter. We believe that the technology may be useful in the future as a tool to help reduce user dependency on conventional pre-procedural bowel prep regimens.

Our system consists of a workstation controller and a single-use, disposable sleeve that fits over most standard-size commercial colonoscopes. Together with the colonoscope, the Pure-Vu system performs rapid, effective and efficient intra-procedural cleaning without compromising procedural workflow and techniques. The over-sleeve has an umbilical section that connects to a cartridge that mounts to the workstation and serves as the interface between the disposable over-sleeve and the workstation. The workstation, through a series of peristaltic pumps activated by foot pedals, delivers an irrigation medium of air and water that creates a pulsed vortex inside the colon to break up fecal matter while simultaneously evacuating the colon content into waste receptacles already used in a standard colonoscopy procedure. The proprietary evacuation system in the device has sensors built in that can detect the formation of a blockage and automatically clear it allowing the physician to remove significant debris from the patient. The Pure-Vu has been clinically demonstrated to be capable of cleaning poorly prepared colons in minutes. We are building an extensive intellectual property portfolio designed to protect key aspects of the system, including the pulsed vortex irrigation and auto-purge functions.

The Pure-Vu System



In the out-patient setting, the Pure-Vu system could create the opportunity to improve patient satisfaction and enhance diagnostic quality. Additionally, in the in-patient hospital setting, the Pure-Vu system could create the opportunity to improve the time to prepare for and complete a successful colonoscopy.

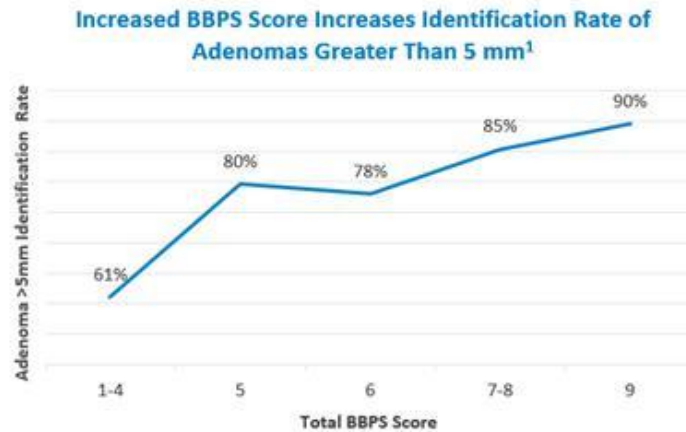
Out-patient Opportunity: improving patient experience and reducing repeat procedures

The Pure-Vu System is currently cleared to help facilitate intra-procedural cleaning of a poorly prepared colon by irrigating or cleaning the colon and evacuating the irrigation fluid (water), feces and other bodily fluids and matter, e.g., blood. In this context, users are able to address visualization concerns and complete endoscopic examinations when patients are found to be poorly prepared by standard colon preparation methods. We believe that our technology may be useful in the future as a tool to help reduce user dependency on conventional pre-procedural bowel prep regimens, and we are gathering data and intend to seek FDA clearance or approval for expanded claims.

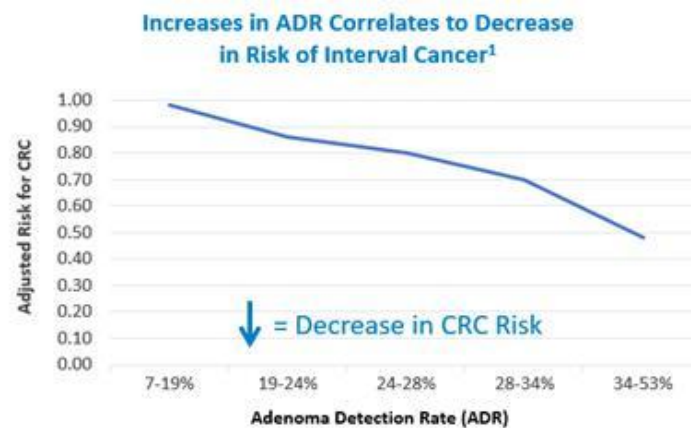
The largest commercial market opportunity presented by the Pure-Vu system in relation to these expanded claims is in the out-patient setting offering patients an alternative to the arduous experience of having to drink large volumes of purgatives that result in significant discomfort, multiple visits to the bathroom over a many-hour period and disruption of daily activities. Market research conducted by The Nova Group, which was sponsored by us, indicates that 83% of patients are willing to pay an out-of-pocket premium, depending on the cost, for this type of technology and the ability to follow a “less-prep” regimen. According to The Nova Group market research, 29% of patients indicated they were willing to consider paying an out-of-pocket cost of up to \$350, despite believing such cost to be expensive, for the ability to follow a “less-prep” regimen, while 10% believed \$350 to be an appropriate out-of-pocket price. Similarly, according to the same research, 58% of patients indicated they were willing to consider paying an out-of-pocket cost of up to \$250, despite believing such cost to be expensive, for the ability to follow a “less-prep” regimen, while 20% believed \$250 to be an appropriate out-of-pocket price. This research suggests that as the potential out-of-pocket cost of a “less-prep” regimen and examination is reduced, the percentage of patients willing to consider paying increases dramatically.

Physicians are also motivated to improve bowl preparation. Market research conducted by Healthcare Research & Analytics, which was sponsored by us, indicates, 99% of physicians understand adenoma detection rate (ADR) is influenced by bowl cleanliness and 68% believe ADR will be tied to reimbursement in the next three years. With increasing pressure on physician and facility reimbursement, most providers are incorporating ancillary services into their practices to supplement their revenue and increase profit. Incorporation of a “less-prep” regimen as an ancillary product into an out-patient GI practice is expected to provide an additional source of revenue and profit as well as help to differentiate the GI practice in an increasingly competitive marketplace. By offering a solution to those patients who either cannot tolerate the challenging preparation or desire a more tolerable prep, we believe the GI practice can increase their market share and improve patient satisfaction, a key quality metric being measured by payors. A “less-prep” regimen could also facilitate late afternoon and early evening procedures for those patients wishing to avoid disruption in their daily activities. Finally, with a “less-prep” regimen, the prep may no longer be as significant of a deterrent to receiving a colonoscopy, potentially increasing compliance to screening and ultimately increasing the early detection of CRC.

Based on published literature in several peer reviewed journals from 2010 to 2015 and surveys of physicians conducted in 2015, approximately 23% of patients can have an inadequate preparation, which may lead to repeat procedures earlier than the medical guidelines suggest and decrease the ADR negatively affecting the quality of the exam. If a physician has the ability to effectively cleanse the colon intra-procedurally, a “less-prep” regimen could provide the ability to turn a fair or poor preparation into an optimal preparation and achieve a high-quality colonoscopy. Further, increased cleanliness (which may be achieved through use of the Pure-Vu system), as measured by the Boston Bowel Preparation Score, or BBPS, the most commonly used method for evaluating the quality of bowel preparation, is associated with an increase of adenoma detection, which in turn predicts a decrease in CRC risk.



1: Quantification of Adequate Bowel Preparation for Screening or Surveillance Colonoscopy in Men Brian T. Clark et al. *Gastroenterology* 2016; 150:396-405



1: Adenoma Detection Rate and Risk of Colorectal Cancer and Death Douglas A. Corley et al. *N Engl J Med.* 2014 April 3; 370(14): 1298-1306

In-patient Opportunity: improving efficiencies and shortening time to complete a successful colonoscopy

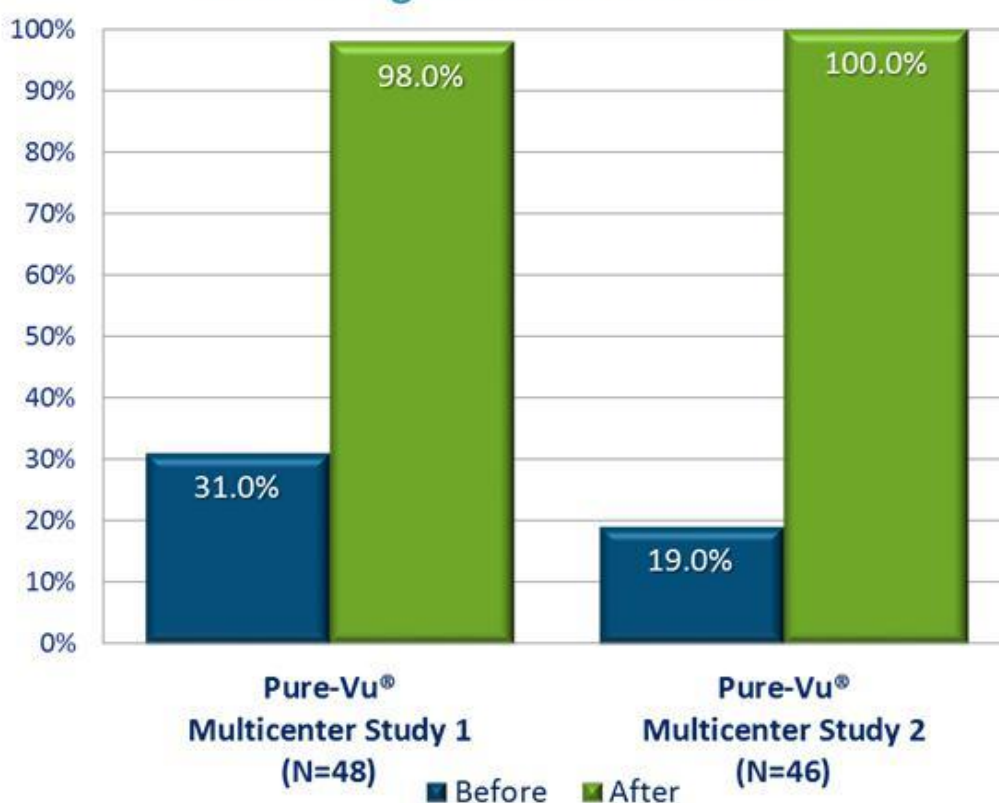
In-patient colonoscopy is usually performed to diagnose the source of various gastrointestinal conditions such as lower GI bleeding or bowel pain. For an in-patient hospital stay, the Centers for Medicare and Medicaid Services, or CMS, uses a prospective payment system, or PPS, based upon diagnostic related groups, or DRG, to pay for hospital services with the goal of encouraging providers to minimize their costs. The DRG assignment is influenced by a combination of factors such as a patient’s sex, diagnosis at the time of discharge and procedures performed. Based on patient specific information, all hospital expenses for their care during an inpatient stay are packaged and assigned to one of over 500 MS-DRGs. According to Decision Driver Analytics, a reimbursement consulting agency, when a colonoscopy is performed as the primary procedure (no other procedures or complicating diagnosis), DRGs 395, 394 or 393 would apply which pay between \$3,861 (without complications or major comorbidities) and \$9,421 (with major complications and comorbidities). The cost for just one night in the hospital averages \$1,800, so reducing the length of stay can save the hospital significant expense.

An in-patient colonoscopy is more problematic than an out-patient procedure due primarily to poorer quality bowel prep which can lead to lower rates of successful completion of the procedure and a higher frequency of repeat procedures. In-patients are difficult to prep as exemplified by inadequate bowel prep rates, which have been reported in the literature as high as 45% for the in-patient setting. Managing these patients is a challenge often requiring significant healthcare provider resources to administer and monitor the prep. The poor bowel prep can be due to the patient’s condition as a more fragile patient population may be unable to tolerate the significant volume of fluid required, and the clear liquid diet required, to cleanse the colon. With these patients, a high volume of purgative can also lead to electrolyte imbalances. The Pure-Vu system is cleared by the FDA for use as an aid to facilitate cleansing in patients with poor bowel preparation. The impact of the Pure-Vu system on the duration of procedures has not been established. There is a need for a system that can shorten the time to successfully complete a colonoscopy by streamlining the process with effective and safe intra-procedural cleaning thus reducing healthcare costs.

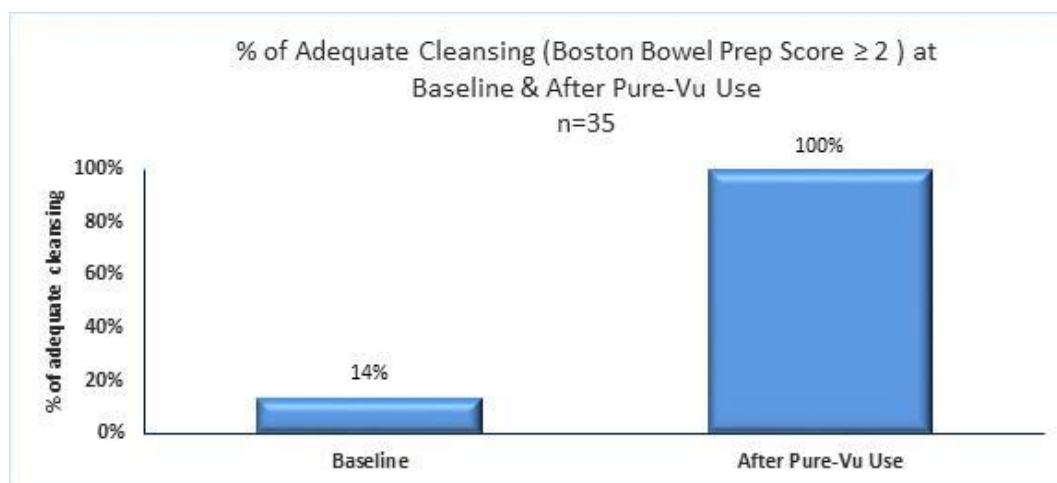
Pre-Clinical and Clinical Data & Safety

In clinical studies performed in Europe and Israel, the Pure-Vu system and earlier prototype versions have demonstrated effective cleaning in over 175 patients receiving a reduced prep regimen. The first 83 patients used three different versions of the system. The prep regimen used in these patients varied from taking a 50% dose of the standard PEG based prep to as little as taking 20mg of over-the-counter Dulcolax® (bisocodyl). More recently, the commercial version of the Pure-Vu system was used in two multi-center clinical studies. The first study involved 48 patients and was completed in the second quarter of 2016. The second study was completed in June 2017 and involved 46 patients. Patients in these studies had a restricted diet for 18-24 hours and received a split dose of 20mg of over-the-counter Dulcolax® (bisocodyl). Patients did not take any liquid purgative traditionally prescribed for bowel preparation. The clinical data showing performance of the Pure-Vu system in these studies using the BBPS, is shown below. The clinical results from the 2016 study were presented at United European Gastroenterology Week (“UEGW”) in October 2016. The clinical results from the 2017 study were presented at the UEGW in October 2017, showing similar results, as shown below.

% of Subjects Adequately Prepped According to BBPS Standard



In addition, pre-clinical experience in a porcine animal model, which was used in the FDA submission, was also presented at Digestive Disease Week (“DDW”) in May 2016. In this study the animals were fasted from normal feed following the Day -2 morning meal. On the afternoon of Day -2, the animals received a standard three (3) liters of PEG-based colon preparation agent (Golytely®). This data is presented below.



We are planning to initiate post-market surveillance and clinical study programs that may involve registries, investigator sponsored studies and company sponsored studies to drive clinical and health economic data, to support product development, enhance our marketing efforts and facilitate new indications. The first of these studies was initiated in the fourth quarter of 2017 and will continue into 2018.

The Pure-Vu system is currently indicated to connect to standard colonoscopes to help facilitate intra-procedural cleaning of a poorly prepared colon by irrigating or cleaning the colon and evacuating the irrigation fluid (water), feces and other bodily fluids and matter. We do not currently promote a particular prep regimen as this is left up to the discretion of the physician since our current indication does not reference any preparation protocol. We will look to expand the Pure-Vu system indication to allow us to promote minimal prep capabilities directly to patients. We plan to initiate a clinical trial in 2018 that should facilitate approval of expanded labeling in 2019.

We filed for a CE Mark in Europe and anticipate CE Mark clearance in the first quarter of 2018. We intend to establish relationships with strategic partners for Europe, Japan, China and other key markets outside the U.S. (“OUS”) to support the regulatory process and market entry. We anticipate entering OUS markets with our second-generation Pure-Vu system during the second half of 2019. We filed for and received special 510(k) clearance from the FDA in the fourth quarter of 2017 to adjust our labeling to simplify the process of removing the Pure-Vu system from a colonoscope and to support minor enhancements to the manufacturing of the system.

Intellectual Property

Our IP position comprises a highly innovative portfolio covering technologies rooted in systems and methods for cleaning body cavities with or without the use of an endoscope. Currently we have one issued U.S. patent, two issued Japanese patents, and 34 (13 in the U.S.) pending patent applications in various regions of the world with a focus on the U.S., EU and Japan. Our earliest patent application filing dates go back to October 2007. We have also recently received notice of allowance for Motus GI and for Pure-Vu trademarks from the USPTO. We are pursuing these marks in the EU as well.

Our issued patents cover an endoscopic device insertable into a body cavity and movable in a predetermined direction and method of moving the endoscopic device in a body cavity and expire October 2026. Our patent application portfolio focuses on cleaning body cavities in a safe and efficient manner, insertion and movement and steering of an endoscopic device within the body cavity in a predetermined direction, coordinated positioning of an endoscope with a suction device and cleaning systems with automatic self-purging features. Our applications cover critical aspects of our system that we believe are key to effectively and efficiently clean the colon or other cavities in the body. These areas include cleansing jet methodologies, sensing and control of evacuation to avoid clogging, designs for easy attachment to endoscopes and cleaning segments under water.

Our commercial success depends in part on our ability to obtain and maintain patent and other proprietary protection for Pure-Vu and to operate without infringing the proprietary right of others and to prevent others from infringing our proprietary rights. We strive to protect our intellectual property through a combination of patents, and trademarks as well as through the confidentiality provisions in our contracts. With respect to Pure-Vu, we endeavor to obtain and maintain patent protection in the United States and internationally on all patentable aspects of the system. We cannot be sure that the patents will be granted with respect to any patent applications we may own or license in the future, nor can we be sure that our existing patents or any patents we may own or license in the future will be useful in protecting our technology.

In addition to patents, we rely on trade secrets and know-how to develop and maintain our competitive position. For example, significant aspects of our proprietary technology platform are based on unpatented trade secrets and know-how. Trade secrets and know-how can be difficult to protect. We seek to protect our proprietary technology and processes, in part, by confidentiality agreements and invention assignment agreements with our employees, consultants, scientific advisors, contractors and commercial partners. These agreements are designed to protect our proprietary information and, in the case of the invention assignment agreements, to grant us ownership of technologies that are developed through a relationship with a third party. We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems. While we have confidence in these individuals, organizations and systems, agreements or security measures may be breached, and we may not have adequate remedies for any breach. In addition, our trade secrets may otherwise become known or be independently discovered by competitors. To the extent that our contractors use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

We also plan to seek trademark protection in the United States and outside of the United States where available and when appropriate. We intend to use these registered marks in connection with our pharmaceutical research and development as well as our product candidates.

Our Formation

In connection with our formation in September 2016, we sold an aggregate of 1,650,000 shares of our common stock for an aggregate of \$82,500 (\$0.05 per share).

The Share Exchange Transaction

Effective on December 1, 2016, Opco, and the Opco Stockholders, entered into the Share Exchange Agreement with us. Pursuant to the terms of the Share Exchange Agreement, as a condition of and contemporaneously with the Initial Closing of the 2017 Private Placement, the Opco Stockholders sold to us, and we acquired, all of the issued and outstanding shares of capital stock of Opco and Opco became our direct wholly-owned subsidiary. Pursuant to the Share Exchange Transaction (i) the Opco Stockholders received an aggregate of 4,000,000 shares of our common stock in exchange for all of the issued and outstanding shares of capital stock of Opco, (ii) the Convertible Notes and the Convertible Note Warrants (as defined below) were exchanged for our securities, as described below, and (iii) all of the issued and outstanding options to purchase or otherwise acquire shares of Opco capital stock that were outstanding and unexercised as of immediately prior to the Initial Closing were substituted for 125,730 options to acquire shares of our common stock pursuant to our 2016 Equity Incentive Plan at exercise prices ranging from \$2.38 to \$2.52 (see “Executive Compensation—2016 Equity Incentive Plan”).

The Share Exchange Transaction was treated as a recapitalization of Opco for financial accounting purposes and the historical financial statements of Opco are our financial statements as a result of the Share Exchange Transaction.

2017 Private Placement and Exchange of Convertible Notes

In connection with the 2017 Private Placement we issued an aggregate of 3,080,671 units, at a purchase price of \$5.00 per unit, with each unit (a “Unit”) consisting of (i) three-quarter (3/4) of a share of our common stock, and (ii) one-quarter (1/4) of a share of our convertible preferred stock, par value \$0.0001 (the “Series A Convertible Preferred Stock”), for gross proceeds of approximately \$15.4 million, comprised of an aggregate of 2,310,504 shares of our common stock and 770,168 shares of Series A Convertible Preferred Stock to investors in the 2017 Private Placement. Certain related parties participated in the 2017 Private Placement, see “Certain Relationships and Related Party Transactions - Convertible Note, Convertible Warrant, and 2017 Private Placement - Related Party Participation.”

In addition, from June 2015 through November 2016, pursuant to the terms of a convertible note agreement, as amended (the “CNA”), Opco issued convertible notes (the “Convertible Notes”) in an aggregate amount of approximately \$14.6 million (inclusive of accrued interest through December 22, 2016, the date of the Initial Closing) to certain investors, including related parties of us and Opco (see “Certain Relationships and Related Party Transactions - Convertible Note, Convertible Warrant, and 2017 Private Placement - Related Party Participation”). As part of the 2017 Private Placement, at the Initial Closing, the holders of the Convertible Notes (the “Convertible Holders”) exchanged their Convertible Notes (the “Exchange of Convertible Notes”), together with accrued and unpaid interest thereon at a rate of 10% per annum, for Units of the 2017 Private Placement, at a conversion price of \$4.50 per Unit. As a result, upon consummation of the Initial Closing, the Convertible Notes were exchanged for an aggregate of 3,243,768 Units representing (i) 2,432,808 shares of our common stock (inclusive of shares of our common stock resulting from the accrued and unpaid interest of the Convertible Notes through the date of the Initial Closing) and (ii) 810,960 shares of our Series A Convertible Preferred Stock (inclusive of shares of Series A Convertible Preferred Stock resulting from the accrued and unpaid interest of the Convertible Notes through the date of the Initial Closing).

Exchange of Convertible Note Warrants

In connection with, and pursuant to the terms of, the CNA, each Convertible Holder also received a seven (7) year warrant (the “Convertible Note Warrants”) to purchase preferred A shares of Opco (the “Preferred A Shares of Opco”), nominal value NIS 0.01 per share, with an exercise price per share of \$1.00 (the “Convertible Note Warrant Exercise Price”). Each Convertible Note Warrant entitled the holder to purchase that number of shares of Preferred A Shares of Opco equal to thirty-three percent (33%) of the principal amount of the Convertible Note in connection with which it was issued. Convertible Note Warrants to purchase an aggregate 4,536,188 shares of Preferred A Shares of Opco with an exercise price of \$1.00 were issued in connection with the CNA. Certain related parties held Convertible Note Warrants pursuant to the CNA, see “Certain Relationships and Related Party Transactions - Convertible Note, Convertible Warrant, and 2017 Private Placement - Related Party Participation.” At the Initial Closing, the holders of the Convertible Note Warrants exchanged their Convertible Note Warrants for five (5) year warrants (the “Exchange Warrants”) to purchase an aggregate 907,237 shares of our common stock at an exercise price of \$5.00 per share, such amount being equal to thirty-three percent (33%) of the principal amount of the Convertible Notes divided by \$5.00.

Competition

We do not believe that there are currently any direct competitors in the market, nor any known competing medical device under development, using similar technology to our technology. Currently the major colonoscope manufacturers (i.e., Olympus, Pentax, Fuji) sell an irrigation pump that can pump fluid through the working channel of a colonoscope. The only intra-procedural device in the market, Cantel Medical's Jet Prep, and another product in development similar to Cantel Medical's Jet Prep, Medjet Ltd.'s MedJet, go through the working channel of a scope and are used mostly for spot cleaning a small amount of debris and do not have the capability to fully clean the colon of large amounts of fecal matter. The Jet Prep and MedJet products also require the physician to remove it from the working channel during the procedure if they need to remove polyps or take a biopsy, impacting the workflow of the procedure. The competitive products mentioned are not currently reimbursed by private or government payors. There are over ten different preparation regimens used prior to colonoscopy today. Some are prescription medications and others are over-the-counter. Typically, the over-the-counter regimens are not indicated for colonoscopy prep but for issues of motility, such as constipation, but are still widely prescribed by physicians for colonoscopy prep. Depending on the insurance a patient has, the prescription prep may be covered in part but many of them require the patient to pay out-of-pocket.

The medical device and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. We have indirect competitors in a number of jurisdictions, many of which have substantially greater name recognition, commercial infrastructures and financial, technical and personnel resources than we have. Currently, the colonoscopy market is dominated by Olympus, who controls a majority of the market, with Pentax and FujiFilm taking most of the rest of the U.S. colonoscopy market. Boston Scientific, Medtronic US Endoscopy, Medivators and other smaller players sell ancillary devices and accessories into the marketplace as well. These established competitors may invest heavily to quickly discover and develop novel devices that could make our Pure-Vu system obsolete or uneconomical. While colonoscopy remains the gold standard for CRC screening, there are capsule endoscopy systems such as the PillCam™ from Medtronic and the Endocapsule 10 from Olympus. These systems, however, require at least the same level of prep as conventional colonoscopies, cannot remove polyps, and therefore, cannot be used to obtain biopsies to detect cancer, so may be less useful for colonoscopy as compared to visualization of the small bowel. Another visualization technique is the virtual colonoscopy, where a radiologist uses a CT scan to obtain 2D and 3D images of the colon. Virtual colonoscopies may require the same level of prep as conventional colonoscopies and if a polyp or abnormality is detected, the patient may still need to undergo a colonoscopy. Other screening tests for colon cancer specifically include fecal occult blood tests and DNA stool tests such as the Cologuard test from Exact Sciences. However, Cologuard is not a replacement for diagnostic colonoscopies or surveillance colonoscopies in high risk individuals and has a lower specificity than standard colonoscopies. While none of these testing alternatives may ever fully replace the colonoscopy, over time, they may take market share away from conventional colonoscopies for specific purposes and may lower the potential market opportunity for us.

Any new product that competes with an approved product may need to demonstrate compelling advantages in efficacy, cost, convenience, tolerability and safety to be commercially successful. Other competitive factors, including new competitive entrants, could force us to lower prices or could result in reduced sales. In addition, new products developed by others could emerge as competitors to the Pure-Vu system. If we are not able to compete effectively against our current and future competitors, our business will not grow and our financial condition and operations will suffer.

Research and Development

We incurred expenses of approximately \$2.7 million and \$2.4 million, respectively, during the nine months ended September 30, 2017 and 2016 for research and development activities. We incurred expenses of approximately \$3.1 million and \$3.2 million, respectively, in 2016 and 2015 for research and development activities. These expenses include cash and non-cash expenses relating to the development of our development and clinical programs for the Pure-Vu system. We have research and development capabilities in electrical and mechanical engineering with laboratories in our facility in Israel for development and prototyping, and electronics design and testing. We also use consultants and third party design houses to complement our internal capabilities.

We have received grants from the Government of the State of Israel through the IIA (formerly known as the OCS) for the financing of a portion of our research and development expenditures pursuant to the Research Law and related regulations. As of September 30, 2017, we had received funding from the IIA in the aggregate amount of \$1.4 million and had a contingent obligation to the IIA in the amount of approximately \$1.4 million, which is generally repaid in the form of royalties ranging from 3% to 3.5% of revenues on sales of products and services based on technology developed using IIA grants, up to an aggregate of 100% (which may be increased under certain circumstances) of the U.S. dollar-linked value of the grant, plus interest at the rate of 12-month LIBOR. As of September 30, 2017, we paid a minimal amount to the IIA. We may apply for additional IIA grants in the future. However, as the funds available for the IIA grants out of the annual budget of the State of Israel have been reduced in the past and may be further reduced in the future, we cannot predict whether we will be entitled to any future grants, or the amounts of any such grants. The terms of the Israeli government participation also require that products developed with IIA grants be manufactured in Israel and that the technology developed thereunder may not be transferred outside of Israel (even following the full repayment of the IIA grants), unless prior approval is received from the IIA, which approval may not be granted. Even if such approval is granted, the transfer outside of Israel of manufacturing which is connected with IIA-funded know-how may result in increased royalty payments (up to three times the aggregate amount of the IIA grants plus interest thereon), as well as in a higher royalty repayment rate. In addition, the transfer outside of Israel of IIA-funded know-how may trigger additional payments to the IIA (up to six times the aggregate amount of the IIA grants plus interest thereon). For additional information, see “Business - Manufacturing and Supply” below.

Manufacturing and Supply

We currently have internal capabilities for small scale production in our facility in Israel. We have ISO 13485 certification for our quality system using DEKRA as our Notified Body in Europe. The internal capability will support the initial limited pilot launch of the product in the U.S. as we establish higher volume capabilities with external manufacturing partners. We are in the process of finalizing a supply agreement with a contract manufacturer for our workstations, and have finalized a supply agreement with a separate contract manufacturer for the disposable portion of the Pure-Vu system. These manufacturing suppliers have extensive experience in medical devices and dealing with regulatory bodies. These suppliers have ISO 13485 approved quality systems. We anticipate transitioning manufacturing activities to these suppliers in early 2018. We have an agreement in place with a third party logistics provider in the U.S. who is ISO 13485 certified and specializes in medical devices and equipment. They will provide warehousing, shipping and back office support to meet our commercial needs.

We have received grants from the Government of the State of Israel through the IIA (formerly known as the OCS) for the financing of a portion of our research and development expenditures, the terms of which require that products developed with IIA grants be manufactured in Israel and that the technology developed thereunder may not be transferred outside of Israel (including by way of certain licenses), unless prior approval is received from the IIA, which we intend to apply for but may not receive (and any such approval may be subject to increased royalty repayment rates and increased royalties, as described above). Even following the full repayment of any IIA grants, we must nevertheless continue to comply with the requirements of the Research Law. The foregoing restrictions may impair our ability to outsource or transfer development or manufacturing activities with respect to any product or technology outside of Israel. For additional information, see “Risk Factors - Risks Related to Our Operations in Israel.”

A significant amendment to the Research Law entered into effect on January 1, 2016, under which the IIA, a statutory government corporation, was established and replaced the OCS. Under such amendment, the IIA is authorized to establish rules concerning the ownership and exploitation of IIA/OCS-funded know-how (including with respect to restrictions on transfer of manufacturing activities and IIA-funded know-how outside of Israel), which may differ from the restrictive laws, regulations and guidelines as currently in effect (and which shall remain in effect until such rules have been established by the IIA). In May 2017, the IIA issued new rules applicable to Israeli companies that receive grants from the IIA or its predecessor, the OCS, which went into effect on July 1, 2017. As of the date hereof, we cannot predict the impact these new rules will have on us or how they will be implemented by the IIA. Furthermore, it is anticipated that additional rules will be published by the IIA and we cannot predict or estimate the changes (if any) that may be made to this legislation (including with respect to the acquisition of an IIA-funded entity or the transfer of manufacturing or ownership of IIA-funded technology).

We have established relationships with research facilities, contract manufacturing organizations, or CMO’s, and our collaborators to manufacture and supply our product for commercialization. The Pure-Vu system workstations and disposables are currently manufactured at our facility in Israel. We are planning to transfer the manufacturing of the Pure-Vu system workstations to Sanmina Corporation’s manufacturing facilities in Israel and the Pure-Vu system disposables to Polyzen’s manufacturing facilities in North Carolina, U.S. We anticipate transitioning the manufacturing activities in early 2018 as we establish and scale up our manufacturing capabilities with these CMO’s.

U.S. Market Entry Strategy

We have initiated a limited pilot launch in the U.S. market. Initial evaluation cases have been performed at six centers showing cleansing capabilities similar to our clinical trial experience. This pilot phase is expected to run through 2018 with the primary objectives of expanding our clinical evidence, developing a practice integration model and creating key reference centers in both the AEC and hospital in-patient settings. We intend to work with the initial accounts to perform clinical studies to gather data for seeking expanded indications for use (such as from the FDA) and to optimize the prep for various populations including patients that have problems tolerating the prep and in-patients. For example, we expect to initiate post-market in-patient studies in the first half of 2018 to examine the ability to improve outcomes and address lower GI bleeds using the Pure-Vu system, and expect results for these trials in the fourth quarter of 2018 and second quarter of 2019, respectively. For out-patients, we expect to initiate trials in inadequately prepped populations to support reimbursement and expand our potential market to the veteran population. We expect results from these trials in the second half of 2019.

We are working with a third party logistics provider specializing in medical devices to provide front and back office support to successfully fulfill customer orders. Additionally our commercial organization is putting in place the infrastructure to track account progress and help provide accurate forecasting for operations. We anticipate the sales cycle to be in the range of six to twelve months. During our limited pilot market entry, we will refine our commercialization strategy and tactics prior to our full market launch which is expected in 2019. Our full market launch will focus on launching our second generation Pure-Vu platform (lower cost of goods, added features, and additional size for “slim” scopes), growing the top line revenues, scaling the commercial organization and expanding our clinical indications for use. We expect to develop strategic relationships to pursue OUS marketing opportunities and to initiate sales in the EU in 2019 and Japan, China and other Asian markets in 2020.

Employees

As of September 30, 2017 we had 36 full time employees. All of our employees are engaged in administration, finance, clinical, R&D, engineering, regulatory or sales and marketing functions. We believe our relations with our employees are good. We anticipate that the number of employees will grow as we scale our commercial capabilities. In addition, we utilize and will continue to utilize consultants, clinical research organizations and third parties to perform our pre-clinical studies, clinical studies, manufacturing and regulatory functions.

Under Israeli law, we and our employees in Israel are subject to Israeli protective labor provisions, including the length of the workday, minimum wages for employees, annual leave, sick pay, determination of severance pay and advance notice of termination of employment, as well as procedures for hiring and dismissing employees and equal opportunity and anti-discrimination laws. While none of our employees in Israel is party to any collective bargaining agreements, orders issued by the Israeli Ministry of Economy and Industry may make certain industry-wide collective bargaining agreements applicable to us. These agreements affect matters such as the length of the workday and week, recuperation pay, travel expenses and pension rights. We have never experienced labor-related work stoppages and believe that our relationships with our employees are a significant part of our operations and that we maintain a good and positive relationship with our employees.

Israeli law generally requires the payment of severance compensation by employers upon the retirement, death or dismissal of an employee. We fund our ongoing Israeli severance obligations by making monthly payments to insurance policies. All of our current employees in Israel have agreed that upon termination of their employment, they will be entitled to receive only the amounts accrued in the insurance policies with respect to severance pay.

Furthermore, Israeli employees and employers are required to pay predetermined sums to the National Insurance Institute, which is similar to the U.S. Social Security Administration. These amounts also include payments for national health insurance.

Facilities

We currently rent 7,732 square feet of space in Tirat Carmel, Israel. This facility consists of office space, laboratories and a class eight cleanroom. We entered the lease on January 1, 2015, and the lease is for a period of five-years.

On April 13, 2017, we entered into a lease for a facility in Fort Lauderdale, Florida, which we began occupying in October 2017. The facility currently consists of 4,554 square feet, which will increase to 6,390 square feet by the second year of the lease. The term will run for seven years and two months from October 2017. This facility will be used for office space as well as laboratories for both quality assurance and product development.

Legal Matters

We are not currently subject to any material legal proceedings; however, we may from time to time become a party to various legal proceedings arising in the ordinary course of our business. Although the results of litigation and claims cannot be predicted with certainty, as of the date of this prospectus, we do not believe we are party to any claim or litigation the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Regulatory Matters

Government Regulation

Our business is subject to extensive federal, state, local and foreign laws and regulations, including those relating to the protection of the environment, health and safety. Some of the pertinent laws have not been definitively interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of subjective interpretations. In addition, these laws and their interpretations are subject to change, or new laws may be enacted.

Both federal and state governmental agencies continue to subject the healthcare industry to intense regulatory scrutiny, including heightened civil and criminal enforcement efforts. We believe that we have structured our business operations and relationships with our customers to comply with all applicable legal requirements. However, it is possible that governmental entities or other third parties could interpret these laws differently and assert otherwise. We discuss below the statutes and regulations that are most relevant to our business.

U.S. Food and Drug Administration regulation of medical devices.

The FDCA and FDA regulations establish a comprehensive system for the regulation of medical devices intended for human use. Our products include medical devices that are subject to these, as well as other federal, state, local and foreign, laws and regulations. The FDA is responsible for enforcing the laws and regulations governing medical devices in the United States.

The FDA classifies medical devices into one of three classes (Class I, Class II, or Class III) depending on their level of risk and the types of controls that are necessary to ensure device safety and effectiveness. The class assignment is a factor in determining the type of premarketing submission or application, if any, that will be required before marketing in the United States.

- Class I devices present a low risk and are not life-sustaining or life-supporting. The majority of Class I devices are subject only to “general controls” (e.g., prohibition against adulteration and misbranding, registration and listing, good manufacturing practices, labeling, and adverse event reporting. General controls are baseline requirements that apply to all classes of medical devices.)
- Class II devices present a moderate risk and are devices for which general controls alone are not sufficient to provide a reasonable assurance of safety and effectiveness. Devices in Class II are subject to both general controls and “special controls” (e.g., special labeling, compliance with performance standards, and post market surveillance. Unless exempted, Class II devices typically require FDA clearance before marketing, through the premarket notification (510(k)) process.)
- Class III devices present the highest risk. These devices generally are life-sustaining, life-supporting, or for a use that is of substantial importance in preventing impairment of human health, or present a potential unreasonable risk of illness or injury. Class III devices are devices for which general controls, by themselves, are insufficient and for which there is insufficient information to determine that application of special controls would provide a reasonable assurance of safety and effectiveness. Class III devices are subject to general controls and typically require FDA approval of a premarket approval (“PMA”) application before marketing.

Unless it is exempt from premarket review requirements, a medical device must receive marketing authorization from the FDA prior to being commercially marketed, distributed or sold in the United States. The most common pathways for obtaining marketing authorization are 510(k) clearance and PMA.

510(k) pathway

The 510(k) review process compares a new device to a legally marketed device. Through the 510(k) process, the FDA determines whether a new medical device is “substantially equivalent” to a legally marketed device (i.e., predicate device) that is not subject to PMA requirements. “Substantial equivalence” means that the proposed device has the same intended use as the predicate device, and the same or similar technological characteristics, or if there are differences in technological characteristics, the differences do not raise different questions of safety and effectiveness as compared to the predicate, and the information submitted in the 510(k) demonstrates that the proposed device is as safe and effective as the predicate device.

To obtain 510(k) clearance, a company must submit a 510(k) application containing sufficient information and data to demonstrate that its proposed device is substantially equivalent to a legally marketed predicate device. These data generally include non-clinical performance testing (e.g., software validation, animal testing electrical safety testing), but may also include clinical data. Typically, it takes three to twelve months for the FDA to complete its review of a 510(k) submission; however, it can take significantly longer and clearance is never assured. During its review of a 510(k), the FDA may request additional information, including clinical data, which may significantly prolong the review process. After completing its review of a 510(k), the FDA may issue an order, in the form of a letter, that finds the device to be either (i) substantially equivalent and states that the device can be marketed in the United States, or (ii) not substantially equivalent and states that device cannot be marketed in the United States. Depending upon the reasons for the not substantially equivalent finding, the device may need to be approved through the PMA pathway (discussed below) prior to commercialization.

After a device receives 510(k) clearance, any modification that could significantly affect the safety or effectiveness of the device, or that would constitute a major change in its intended use, including significant modifications to any of our products or procedures, requires submission and clearance of a new 510(k) or approval of a PMA. The FDA relies on each manufacturer to make and document this determination initially, but the FDA can review any such decision and can disagree with a manufacturer's determination. Modifications meeting certain conditions may be candidates for a streamlined FDA review known as Special 510(k) review, which the FDA intends to process within 30 days of receipt. If a device modification requires the submission of a 510(k), but the modification does not affect the intended use of the device or alter the fundamental technology of the device, then summary information that results from the design control process associated with the cleared device can serve as the basis for clearing the application. A Special 510(k) allows a manufacturer to declare conformance to design controls without providing new data. When a modification involves a change in material, the nature of the "new" material will determine whether a traditional or Special 510(k) is necessary. An Abbreviated 510(k) is another type of 510(k) that is intended to streamline the review of data through the reliance on one or more FDA-recognized consensus standards, special controls established by regulation, or FDA guidance documents. In most cases, an Abbreviated 510(k) includes one or more declarations of conformity to an FDA-recognized consensus standard. We may also make minor product enhancements that we believe do not require new 510(k) clearances. If the FDA disagrees with our determination regarding whether a new 510(k) clearance was required for these modifications, we may need to cease marketing and/or recall the modified device. The FDA may also subject us to other enforcement actions, including, but not limited to, issuing a warning letter or untitled letter to us, seizing our products, imposing civil penalties, or initiating criminal prosecution.

Premarket approval pathway

Unlike the comparative standard of the 510(k) pathway, the PMA approval process requires an independent demonstration of the safety and effectiveness of a device. PMA is the most stringent type of device marketing application required by the FDA. PMA approval is based on a determination by the FDA that the PMA contains sufficient valid scientific evidence to ensure that the device is safe and effective for its intended use(s). A PMA application generally includes extensive information about the device including the results of clinical testing conducted on the device and a detailed description of the manufacturing process.

After a PMA application is accepted for review, the FDA begins an in-depth review of the submitted information. FDA regulations provide 180 days to review the PMA and make a determination; however, in reality, the review time is normally longer (e.g., 1-3 years). During this review period, the FDA may request additional information or clarification of information already provided. Also during the review period, an advisory panel of experts from outside the FDA may be convened to review and evaluate the data supporting the application and provide recommendations to the FDA as to whether the data provide a reasonable assurance that the device is safe and effective for its intended use. In addition, the FDA generally will conduct a preapproval inspection of the manufacturing facility to ensure compliance with QSR, which imposes comprehensive development, testing, control, documentation and other quality assurance requirements for the design and manufacturing of a medical device.

Based on its review, the FDA may (i) issue an order approving the PMA, (ii) issue a letter stating the PMA is "approvable" (e.g., minor additional information is needed), (iii) issue a letter stating the PMA is "not approvable," or (iv) issue an order denying PMA. A company may not market a device subject to PMA review until the FDA issues an order approving the PMA. As part of a PMA approval, the FDA may impose post-approval conditions intended to ensure the continued safety and effectiveness of the device including, among other things, restrictions on labeling, promotion, sale and distribution, and requiring the collection of additional clinical data. Failure to comply with the conditions of approval can result in materially adverse enforcement action, including withdrawal of the approval.

Most modifications to a PMA approved device, including changes to the design, labeling, or manufacturing process, require prior approval before being implemented. Prior approval is obtained through submission of a PMA supplement. The type of information required to support a PMA supplement and the FDA's time for review of a PMA supplement vary depending on the nature of the modification.

Clinical trials

Clinical trials of medical devices in the United States are governed by the FDA's Investigational Device Exemption ("IDE") regulation. This regulation places significant responsibility on the sponsor of the clinical study including, but not limited to, choosing qualified investigators, monitoring the trial, submitting required reports, maintaining required records, and assuring investigators obtain informed consent, comply with the study protocol, control the disposition of the investigational device, submit required reports, etc.

Clinical trials of significant risk devices (e.g., implants, devices used in supporting or sustaining human life, devices of substantial importance in diagnosing, curing, mitigating or treating disease or otherwise preventing impairment of human health) require FDA and Institutional Review Board (“IRB”) approval prior to starting the trial. FDA approval is obtained through submission of an IDE application. Clinical trials of non-significant risk (“NSR”), devices (i.e., devices that do not meet the regulatory definition of a significant risk device) only require IRB approval before starting. The clinical trial sponsor is responsible for making the initial determination of whether a clinical study is significant risk or NSR; however, a reviewing IRB and/or FDA may review this decision and disagree with the determination.

An IDE application must be supported by appropriate data, such as performance data, animal and laboratory testing results, showing that it is safe to evaluate the device in humans and that the clinical study protocol is scientifically sound. There is no assurance that submission of an IDE will result in the ability to commence clinical trials. Additionally, after a trial begins, the FDA may place it on hold or terminate it if, among other reasons, it concludes that the clinical subjects are exposed to an unacceptable health risk.

As noted above, the FDA may require a company to collect clinical data on a device in the post-market setting.

The collection of such data may be required as a condition of PMA approval. The FDA also has the authority to order, via a letter, a post-market surveillance study for certain devices at any time after they have been cleared or approved.

Pervasive and continuing FDA regulation

After a device is placed on the market, regardless of its classification or premarket pathway, numerous additional FDA requirements generally apply. These include, but are not limited to:

- Establishment registration and device listing requirements;
- Quality System Regulation (“QSR”), which governs the methods used in, and the facilities and controls used for, the design, manufacture, packaging, labeling, storage, installation, and servicing of finished devices;
- Labeling requirements, which mandate the inclusion of certain content in device labels and labeling, and generally require the label and package of medical devices to include a unique device identifier (“UDI”), and which also prohibit the promotion of products for uncleared or unapproved, i.e., “off-label,” uses;
- Medical Device Reporting (“MDR”) regulation, which requires that manufacturers and importers report to the FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if it were to recur; and
- Reports of Corrections and Removals regulation, which requires that manufacturers and importers report to the FDA recalls (i.e., corrections or removals) if undertaken to reduce a risk to health posed by the device or to remedy a violation of the FDCA that may present a risk to health; manufacturers and importers must keep records of recalls that they determine to be not reportable.

The FDA enforces these requirements by inspection and market surveillance. Failure to comply with applicable regulatory requirements can result in enforcement action by the FDA, which may include, but is not limited to, the following sanctions:

- Untitled letters or warning letters;
- Fines, injunctions and civil penalties;
- Recall or seizure of our products;
- Operating restrictions, partial suspension or total shutdown of production;
- Refusing our request for 510(k) clearance or premarket approval of new products;
- Withdrawing 510(k) clearance or premarket approvals that are already granted; and
- Criminal prosecution.

We are subject to unannounced device inspections by the FDA, as well as other regulatory agencies overseeing the implementation of and compliance with applicable state public health regulations. These inspections may include our suppliers' facilities.

International

International sales of medical devices are subject to foreign government regulations, which vary substantially from country to country. In order to market our products in other countries, we must obtain regulatory approvals and comply with extensive safety and quality regulations in other countries. The time required to obtain approval by a foreign country may be longer or shorter than that required for FDA clearance or approval, and the requirements may differ. The European Union/European Economic Area (the "EU/EEA"), requires a CE conformity mark in order to market medical devices. Many other countries, such as Australia, India, New Zealand, Pakistan and Sri Lanka, accept CE or FDA clearance or approval, although others, such as Brazil, Canada and Japan require separate regulatory filings.

In the EU and the EEA, devices are required to comply with the essential requirements of the EU Medical Devices Directive. Compliance with these requirements would entitle us to affix the CE conformity mark to our medical devices, without which they cannot be commercialized in the EU and EEA. To demonstrate compliance with the essential requirements and obtain the right to affix the CE conformity mark we must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low risk medical devices (Class I), where the manufacturer can issue a CE Declaration of Conformity based on a self-assessment of the conformity of its products with the essential requirements of the Medical Devices Directive, a conformity assessment procedure requires the intervention of a Notified Body, which is an organization accredited at the European Commission to conduct conformity assessments. The Notified Body would typically audit and examine the quality system for the manufacture, design and final inspection of our devices before issuing a certification demonstrating compliance with the essential requirements. Based on this certification we can draw up a CE Declaration of Conformity which allows us to affix the CE Mark to our products.

Further, the advertising and promotion of our products in the EU and the EEA is subject to the laws of individual EU and EEA Member States implementing the EU Medical Devices Directive, Directive 2006/114/EC concerning misleading and comparative advertising, and Directive 2005/29/EC on unfair commercial practices, as well as other EU and EEA Member State laws governing the advertising and promotion of medical devices. These laws may limit or restrict the advertising and promotion of our products to the general public and may impose limitations on our promotional activities with healthcare professionals.

Other Regulatory Matters

Manufacturing, sales, promotion and other activities following product approval are also subject to regulation by numerous regulatory authorities in addition to the FDA, including, in the United States, the Centers for Medicare & Medicaid Services ("CMS"), other divisions of the Department of Health and Human Services, the Department of Justice, the Consumer Product Safety Commission, the Federal Trade Commission, the Occupational Safety & Health Administration, the Environmental Protection Agency, and state and local governments. If products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. Manufacturing, sales, promotion and other activities are also potentially subject to federal and state consumer protection and unfair completion laws.

The distribution of medical device products is subject to additional requirements and regulations, including extensive record-keeping, licensing, storage and security requirements intended to prevent the unauthorized sale of medical device products.

Third-Party Payor Coverage and Reimbursement

Our Pure-Vu system and the procedure to cleanse the colon in preparation for colonoscopy are not currently reimbursable through private or governmental third-party payors in any country. Significant uncertainty exists as to whether coverage and reimbursement of the Pure-Vu system will develop; but we intend to seek reimbursement through private or governmental third-party payors in the future. In both the United States and foreign markets, our ability to commercialize the Pure-Vu system successfully, and to attract commercialization partners for the Pure-Vu system, depends in part on the availability of adequate financial coverage and reimbursement from third-party payors, including, in the United States, governmental payors such as the Medicare and Medicaid programs, managed care organizations, and private health insurers. Medicare is a federally funded program managed by the CMS, through local contractors that administer coverage and reimbursement for certain healthcare items and services furnished to the elderly and disabled. Medicaid is an insurance program for certain categories of patients whose income and assets fall below state defined levels and who are otherwise uninsured that is both federally and state funded and managed by each state. The federal government sets general guidelines for Medicaid and each state creates specific regulations or other guidelines that govern its individual program. Each payor, whether governmental or private, has its own process and standards for determining whether it will cover and reimburse a procedure or particular product. Private payors often rely on the lead of the governmental payors in rendering coverage and reimbursement determinations. Therefore, achieving favorable CMS coverage and reimbursement is usually a significant gating issue for successful introduction of a new product. The competitive position of the Pure-Vu system will depend, in part, upon the extent of coverage and adequate reimbursement for such product and for the procedures in which such product is used. Prices at which we or our customers seek reimbursement for the Pure-Vu system can be subject to challenge, reduction or denial by the government and other payors.

In the event we do receive approval for third-party or government reimbursement for our product, the marketability of such product may suffer if the government and commercial third-party payors fail to provide adequate coverage and reimbursement. An emphasis on cost containment measures in the United States has increased and we expect it will continue. Coverage policies and third-party reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is attained for one or more products for which we receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

State and federal healthcare reform measures may be adopted in the future, any of which may result in additional reductions in Medicare and other healthcare funding and otherwise affect the prices we may obtain for any of our product candidates for which we may obtain regulatory approval or the frequency with which any such product candidate is prescribed or used.

In addition, in some foreign countries, the proposed pricing for a medical device must be approved before it may be lawfully marketed. The requirements governing medical device pricing vary widely from country to country. For example, the European Union provides options for its member states to restrict the range of medicinal products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. Reference pricing used by various European Union member states and parallel distribution, or arbitrage between low-priced and high-priced member states, can further reduce prices. A member state may approve a specific price for the medicinal product or it may instead adopt a system of direct or indirect controls on the profitability of the company placing the medicinal product on the market. In some countries, we may be required to conduct a clinical study or other studies that compare the cost-effectiveness of any of our product candidates to other available therapies in order to obtain or maintain reimbursement or pricing approval. Historically, products launched in the European Union do not follow price structures of the United States and generally tend to be significantly lower. Publication of discounts by third-party payors or authorities may lead to further pressure on the prices or reimbursement levels within the country of publication and other countries. If pricing is set at unsatisfactory levels or if reimbursement of our products is unavailable or limited in scope or amount, our revenues from sales by us or our strategic partners and the potential profitability of any of our product candidates in those countries would be negatively affected.

Other Healthcare Laws and Compliance Requirements

Healthcare providers, physicians, and third party payors will play a primary role in the recommendation and use of any products for which we obtain marketing approval. Our future arrangements with third party payors, healthcare providers and physicians may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute any device for which we obtain marketing approval. In the United States, our activities are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, including the CMS, other divisions of the United States Department of Health and Human Services (e.g., the Office of Inspector General), the United States Department of Justice and individual United States Attorney offices within the Department of Justice, and state and local governments. The applicable laws and regulations include the federal Anti-Kickback Statute, the False Claims Act, and the Health Insurance Portability and Accountability Act of 1996 ("HIPAA").

- The Anti-Kickback Statute ("AKS") makes it illegal for any person, including a device manufacturer (or a party acting on its behalf), to knowingly and willfully solicit, receive, offer or pay any remuneration, directly or indirectly, in cash or in kind, that is intended to induce or reward referrals, including the purchase, recommendation, or order of a particular device, for which payment may be made under a federal healthcare program, such as Medicare or Medicaid. Violations of this law are punishable by up to five years in prison, criminal fines, administrative civil money penalties and exclusion from participation in federal healthcare programs. In addition, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it.
- The Federal False Claims Act imposes civil penalties, including through civil whistleblower or qui tam actions, against individuals or entities (including manufacturers) for, among other things, knowingly presenting, or causing to be presented false or fraudulent claims for payment by a federal healthcare program or making a false statement or record material to payment of a

false claim or avoiding, decreasing or concealing an obligation to pay money to the federal government. Penalties for a False Claims Act violation include three times the actual damages sustained by the government, plus mandatory civil penalties of between \$10,957 and \$21,916 for each separate false claim and the potential for exclusion from participation in federal healthcare programs. Conduct that violates the False Claims Act also may implicate various federal criminal statutes. The government may deem manufacturers to have "caused" the submission of false or fraudulent claims by, for example, providing inaccurate billing or coding information to customers or promoting a product off-label. Claims which include items or services resulting from a violation of the federal Anti-Kickback Statute also are deemed false or fraudulent claims for purposes of the False Claims Act. Our future marketing and activities relating to the reporting of wholesaler or estimated retail prices for our products and other information affecting federal, state and third-party reimbursement for our products, and the sale and marketing of our product and any future product candidates, are subject to scrutiny under this law.

- HIPAA which imposes criminal and civil liability for executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters and, as amended by the Health Information Technology for Economic and Clinical Health Act (“HITECH”) and its implementing regulations, also imposes certain obligations, including contractual terms and technical safeguards, with respect to maintaining the privacy, security and transmission of individually identifiable health information.
- HITECH also created new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorneys' fees and costs associated with pursuing federal civil actions.
- The Federal Physician Payments Sunshine Act within the Affordable Care Act, and its implementing regulations, which requires that certain manufacturers of devices and medical supplies for which payment is available under Medicare, Medicaid or the Children’s Health Insurance Program (with certain exceptions) to report information related to certain payments or other transfers of value made or distributed to physicians and teaching hospitals, or to entities or individuals at the request of, or designated on behalf of, physicians and teaching hospitals and to report annually certain ownership and investment interests held by physicians and their immediate family members; and
- Analogous state and foreign fraud and abuse laws and regulations, such as anti-kickback and false claims laws, which may apply to sales and marketing arrangements and claims involving healthcare items or services reimbursed by any third party payor, including commercial insurers, and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by federal laws, thus complicating compliance efforts. Such laws are generally broad and are enforced by various state agencies and private actions.

In addition, we may be subject to data privacy and security regulation by both the federal government and the states in which we conduct our business. HIPAA imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information, which are applicable to “business associates”—independent contractors or agents of HIPAA covered entities that receive or obtain protected health information in connection with providing a service on behalf of a covered entity.

Current and future legislation

In the United States and foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of our product candidates, restrict or regulate post-approval activities and affect our ability to profitably sell any product candidates for which we obtain marketing approval. We expect that current laws, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we, or any collaborators, may receive for any approved products.

With the new Administration and Congress, there will likely be additional administrative or legislative changes, including modification, repeal, or replacement of all, or certain provisions of, the Affordable Care Act, which may impact reimbursement for medical devices. On January 20, 2017, President Trump signed an Executive Order directing federal agencies with authorities and responsibilities under the Affordable Care Act to waive, defer, grant exemptions from, or delay the implementation of any provision of the Affordable Care Act that would impose a fiscal or regulatory burden on states, individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices. Congress has attempted several times to repeal and replace the Affordable Care Act, yet to date no complete repeal has occurred. On October 13, 2017, President Trump signed an Executive Order terminating the cost-sharing subsidies that reimburse insurers under the Affordable Care Act. Several state Attorneys General filed suit to stop the administration from terminating the subsidies, but their request for a restraining order was denied by a federal judge in California on October 25, 2017. Litigation and legislation over the Affordable Care Act are likely to continue, with unpredictable and uncertain results.

Additional laws and regulations governing international operations

If we further expand our operations outside of the United States, we must dedicate additional resources to comply with numerous laws and regulations in each jurisdiction in which we plan to operate. The Foreign Corrupt Practices Act, or FCPA, prohibits any U.S. individual or business from paying, offering, authorizing payment or offering of anything of value, directly or indirectly, to any foreign official, political party or candidate for the purpose of influencing any act or decision of the foreign entity in order to assist the individual or business in obtaining or retaining business. The FCPA also obligates companies whose securities are listed in the United States to comply with certain accounting provisions requiring the company to maintain books and records that accurately and fairly reflect all transactions of the corporation, including international subsidiaries, and to devise and maintain an adequate system of internal accounting controls for international operations.

Compliance with the FCPA is expensive and difficult, particularly in countries in which corruption is a recognized problem. In addition, the FCPA presents particular challenges in the pharmaceutical industry, because, in many countries, hospitals are operated by the government, and doctors and other hospital employees are considered foreign officials. Certain payments to hospitals in connection with clinical trials and other work have been deemed to be improper payments to government officials and have led to FCPA enforcement actions.

Various laws, regulations and executive orders also restrict the use and dissemination outside of the United States, or the sharing with certain non-U.S. nationals, of information classified for national security purposes, as well as certain products and technical data relating to those products. If we expand our presence outside of the United States, it will require us to dedicate additional resources to comply with these laws, and these laws may preclude us from developing, manufacturing, or selling certain products and product candidates outside of the United States, which could limit our growth potential and increase our development costs.

The failure to comply with laws governing international business practices may result in substantial civil and criminal penalties and suspension or debarment from government contracting. The Securities and Exchange Commission, or SEC, also may suspend or bar

issuers from trading securities on U.S. exchanges for violations of the FCPA's accounting provisions.

Post-Marketing Regulations

Following clearance or approval of a new product, a company and the product are subject to continuing regulation by the FDA and other federal and state regulatory authorities, including, among other things, monitoring and recordkeeping activities, reporting to applicable regulatory authorities of adverse experiences with the product, providing the regulatory authorities with updated safety and efficacy information, product sampling and distribution requirements, and complying with promotion and advertising requirements, which include, among others, standards for direct-to-consumer advertising, restrictions on promoting for uses or in patient populations not described in the product's approved labeling (known as "off-label use"), limitations on industry-sponsored scientific and educational activities, and requirements for promotional activities involving the internet. Although physicians may prescribe legally available products for off-label uses, manufacturers may not market or promote such off-label uses. Modifications or enhancements to the products or labeling or changes of site of manufacture are often subject to the approval of the FDA and other regulators, which may or may not be received or may result in a lengthy review process.

MANAGEMENT AND BOARD OF DIRECTORS

The following sets forth certain information with respect to our officers and directors.

| Name | Age | Position(s) |
|-----------------|------------|--------------------------------------|
| Mark Pomeranz | 56 | Chief Executive Officer and Director |
| Andrew Taylor | 47 | Chief Financial Officer |
| David Hochman | 42 | Chairman of the Board |
| Darren Sherman | 46 | Director |
| Gary Jacobs | 60 | Director |
| Samuel Nussbaum | 69 | Director |
| Shervin Korangy | 43 | Director |
| Gary J. Pruden | 56 | Director |

Management

Mark Pomeranz, Chief Executive Officer and Director

Mr. Pomeranz has been Chief Executive Officer of Opco since 2014 and has served as our CEO since the Share Exchange Transaction. Prior to joining Opco, from 2007 to 2014, Mr. Pomeranz was the founding CEO of Svelte Medical Systems, a start-up company that is currently commercializing a unique drug eluting stent platform in the EU. From 1998 to 2007, Mr. Pomeranz served as Vice President at Cordis, a Johnson & Johnson Company, where his responsibilities included developing new technologies, exploring new market opportunities and leading major restructuring efforts to create cross-functional global commercialization teams. Prior to that, Mr. Pomeranz held a number of senior leadership roles, including positions at Cardiac Pathways Corporation from 1991 to 1998, and Cardiovascular Imaging Systems from 1989 to 1991, both of which were acquired by Boston Scientific Corporation. Mr. Pomeranz earned a M.Sc. in biomedical engineering from the University of Miami. Mr. Pomeranz was selected as a director due to his history as a director of Opco and his business and leadership experience in the medical technology sector; his broad scientific background is also seen as an asset to us.

Andrew Taylor, Chief Financial Officer

Mr. Taylor has served as our Chief Financial Officer since August 2017. Prior to joining us, Mr. Taylor served as the CFO and President of Angel Medical Systems from 2007 until 2017. Angel Medical Systems is a medical device company that develops and manufactures continuous intra-cardiac ischemia monitoring and alerting systems. While at Angel Medical Systems, Mr. Taylor supervised the operations of more than fifty (50) employees in the United States and Brazil, while also overseeing the financial planning and analysis activities, capital raise efforts, and implementation of capital and operating budgets. From 2005 to 2007, Mr. Taylor was a Practice Leader for AC Lordi Consulting, where he oversaw staff providing CFO and Controller consulting services. Prior to that, Mr. Taylor was the CFO of Safe3w, Inc. from 2001 to 2005 until its acquisition by iPass, Inc. (Nasdaq: IPAS), where he led all accounting and finance functions as well as the fundraising efforts, and negotiated the sale of the company. From 1999 to 2001, Mr. Taylor served as the Vice President of Finance and Administration of Abridge, Inc., where he developed and managed processes for budgeting, forecasting and cash management. Prior to that, Mr. Taylor was a Senior Finance Associate and Business Analyst at Delta Air Lines (NYSE: DAL), from 1997 to 1999. Mr. Taylor is a CFA Program Level II Candidate and earned a B.A. in Political Science and Economics at McGill University and his MBA in Finance at Northeastern University.

Directors

Mark Pomeranz, Chief Executive Officer and Director

See description under Management.

David P. Hochman, Chairman of the Board

Mr. Hochman has been Chairman of the Board of Opco since 2011 and has served on our board of directors as Chairman since the Share Exchange Transaction. Since June 2006, Mr. Hochman has been Managing Partner of Orchestra Medical Ventures, LLC, an investment firm that employs a strategy to create, build and invest in medical technology companies intended to generate substantial clinical value and investor returns. He is also President of Accelerated Technologies, Inc., a medical device accelerator company managed by Orchestra. He has twenty years of venture capital and investment banking experience. He is Chairman of Caliber Therapeutics and a director of BackBeat Medical, Inc. (where he is also President), and FreeHold Surgical, Inc., all of which are Orchestra portfolio companies. Mr. Hochman currently serves as a board member of Corbus Pharmaceuticals Holdings, Inc. (Nasdaq: CRBP), a clinical stage biopharmaceutical company focused on the development and commercialization of novel therapeutics to treat rare, life-threatening inflammatory-fibrotic diseases with clear unmet medical needs. Mr. Hochman currently serves as a director of Adgero Biopharmaceuticals Holdings, Inc., and previously served as a Director of Naked Brand Group Inc. (Nasdaq: NAKD). Prior to joining Orchestra, Mr. Hochman was Chief Executive Officer of Spencer Trask Edison Partners, LLC, an investment partnership focused on early stage healthcare companies. He was also Managing Director of Spencer Trask Ventures, Inc. during which time he led financing transactions for over twenty early-stage companies. Mr. Hochman was a board advisor of Health Dialog Services Corporation, a leader in collaborative healthcare management that was acquired in 2008 by the British United Provident Association for \$750 million. From 2005 to 2007, he was a co-founder and board member of PROLOR Biotech, Inc., a biopharmaceutical company developing longer-lasting versions of approved therapeutic proteins, which was purchased by Opko Health (Nasdaq: OPK) in 2013 for over \$600 million. He currently serves on the board of two non-profit organizations: the Citizens Committee for New York City and the Mollie Parnis Livingston Foundation. He has a B.A. degree with honors from the University of Michigan. Mr. Hochman was selected as a director due to his history as a director of Opco, his leadership experience at other public companies, including medical technology companies, his financial experience and his expertise in governance matters.

Darren Sherman, Director

Mr. Sherman has been a director of Opco since 2015 and has served on our board of directors since the Share Exchange Transaction. Since 2009, Mr. Sherman has been a Managing Partner of Orchestra Medical Ventures, LLC, an investment firm that employs a strategy to create, build and invest in medical technology companies intended to generate substantial clinical value and investor returns. He has also served as Chief Technology Officer of Accelerated Technologies, Inc., a medical device accelerator company managed by Orchestra, since 2008. Mr. Sherman has over 20 years of management and entrepreneurial experience in the medical technology industry spanning interventional cardiology, cardiac electrophysiology, sudden cardiac death, stroke, surgery, GI, and neurovascular therapies. He is the CEO and a Director of Caliber Therapeutics, Inc., CEO and a Director of FreeHold Surgical, Inc., and a Director of BackBeat Medical, Inc., all of which are Orchestra portfolio companies. Prior to joining Orchestra, from February 2002 until March 2008, Mr. Sherman held positions in executive management for Cordis Neurovascular (CNV), a Johnson & Johnson company, including Executive Director R&D and Director of Strategic Marketing for stroke products. He had responsibility for all neurovascular R&D and global strategic marketing responsibilities for the stroke franchise, including budgets, a portfolio of products and strategic planning. Mr. Sherman made contributions to the design and commercialization of a series of products including the Enterprise Vascular Reconstruction Device and the Orbit Embolic Coil. From January 1997 until February 2002, Mr. Sherman was involved in the formation and development of Revivant Corp (acquired by Zoll Medical Corporation) while working at Fogarty Engineering. At Revivant, he managed the design, development, and testing of the AutoPulse device from concept through market introduction. From January 1995 until January 1997, Mr. Sherman held positions in research and development for Cardiac Pathways Corp., prior to its acquisition by Boston Scientific, and Baxter Healthcare. Mr. Sherman has authored more than sixty-five U.S. patents and has over eighty additional published applications. He earned a BS degree in Bioengineering from the University of California, San Diego. Mr. Sherman was selected as a director due to his history as a director of Opco and his leadership experience at other companies, including medical technology companies.

Gary Jacobs, Director

Mr. Jacobs has been a director of Opco since 2011 and has served on our board of directors since the Share Exchange Transaction. Mr. Jacobs is the Founder and Managing Director at Jacobs Investment Company, LLC, and served as Chief Executive Officer of DermTech, Inc. (DermTech International). He owns and operates a professional minor league baseball team, the Lake Elsinore Storm, affiliated with the San Diego Padres. Mr. Jacobs served as a software engineer and senior education specialist of QUALCOMM, Inc. and as a software programmer at Linkabit Incorporated. He has multi-million dollar investments in several other venture capital funds. He has been the Chairman of DermTech International since 2006 and serves as the Chairman of GEO2 Technologies Inc., Ora Bio Ltd. and High Tech High, the National High School Reform movement. He serves as Vice Chairman of the Jewish Community Center Association Continental Board. He has been a Director of Fallbrook Technologies, Inc. since March 31, 2004. He serves as a Director of New Generation Technology, Next Generation Technologies, Bio2 Technologies, Inc., Nutrinia Ltd., San Diego Symphony, Lawrence Family JCC and UCSD Board of Overseers. He serves as a Director of NGT3 and ParaSonic Ltd. He serves as a Director of Padres L.P., Viryd Technologies, Inc. and DermTech International. In addition, Mr. Jacobs serves as Chair of the Dean's Advisory Council for Social Sciences at the University of California, San Diego and also as Chairman of the Board of Trustees of High Tech High in San Diego. His other philanthropic work included as the President of the United Jewish Federation of San Diego County. Mr. Jacobs received his B.A. in Management Science from the University of California, San Diego in 1979. Mr. Jacobs was selected as a director due to his history as a director of Opco, his extensive experience serving on the board of directors of other companies, including medical technology companies, and his financial experience.

Samuel R. Nussbaum, M.D., Director

Dr. Nussbaum has served on our board of directors since the Share Exchange Transaction. During 2016 Dr. Nussbaum began serving as a Strategic Consultant for EBG Advisors, the consulting arm for Epstein Becker and Green, where he advises life science companies, health care systems and provider organizations. Dr. Nussbaum also serves as a Senior Advisor to Sandbox Industries Ventures, a venture capital firm, and Ontario Teachers Pension Fund. He is a member of the Scientific Advisory Board of Medidata (Nasdaq: MDSO), a publicly traded clinical technology company serving life sciences clients, and the Healthcare Advisory Board of KPMG. From 2000 until 2016, Dr. Nussbaum served as Executive Vice President, Clinical Health Policy, and Chief Medical Officer of Anthem, Inc. (NYSE: ANTM), where he was responsible for annual health care expenditures through business units focused on care management, health improvement, and provider network contracting. Prior to joining Anthem, Dr. Nussbaum served as executive vice president, Medical Affairs and System Integration of BJC Health Care, where he led integrated clinical services and community health, served as President of its medical group and chairman of its commercial (HealthPartners of the Midwest) and Medicaid (CarePartners) health plans. He currently serves on the Board of Directors of New England Healthcare Institute (NEHI), BioCrossroads (an Indiana-based public-private collaboration that advances and invests in the life sciences), and America's Agenda. Dr. Nussbaum has also served on the Board of Directors of CareNex Health Services, National Quality Forum, America's Health Insurance Plans (AHIP), Regenstrief Institute, National Committee for Quality Health Care, the OASIS Institute, VHA Foundation Board, Barnes-Jewish West County Hospital Board, Barnes-Jewish St. Peters Hospital Board, United Way of Greater St. Louis, and the Battelle Advisory Board. Dr. Nussbaum is a Professor of Clinical Medicine at Washington University School of Medicine and serves as adjunct professor at the Olin School of Business, Washington University. Dr. Nussbaum earned his BA from New York University and his MD from Mount Sinai School of Medicine. He trained in internal medicine at Stanford University and Massachusetts General Hospital and in endocrinology at Harvard Medical School and Massachusetts General Hospital. Dr. Nussbaum was selected as a director because of his medical and business experience in the healthcare and life sciences industries.

Shervin J. Korangy, Director

Mr. Korangy has served on our board of directors since March 2017. Mr. Korangy also serves as the Chief Financial Officer and Chief Strategy Officer of Beaver-Visitec International, a leading global developer, manufacturer and marketer of specialized surgical devices for the ophthalmic marketplace. From 2012 to 2017, Mr. Korangy served as a General Manager for the Alcon division of Novartis Group AG (NYSE: NVS), a global healthcare company, where he works with medical device, pharmaceutical and consumer health product segments. While part of Novartis Group AG, from 2010 to 2012, Mr. Korangy was the Global Head of Corporate Finance, where he was responsible for M&A strategy and supervised the acquisition of Alcon. Mr. Korangy is a current member of the Board of Directors of The Hain Celestial Group (Nasdaq: HAIN), a leading organic and natural products company, and Sight Sciences LLC, a medical start-up business. From 1996 to 2010, Mr. Korangy worked in the Private Equity and Restructuring Advisory divisions of the Blackstone Group (NYSE: BX), where he served as a Managing Director. Mr. Korangy is a former member of the Board of Directors of Pelican Rouge, a coffee branding and vending business, Ultra Music, an electronic and dance music record label, Graham Packaging, a manufacturer and distributor of custom plastic containers for consumer product companies, Pinnacle Foods (NYSE: PF), a consumer packaged foods manufacturer and distributor and Bayview Financial, an asset manager and loan servicer. Mr. Korangy received his B.S. degree in economics at the Wharton School of the University of Pennsylvania, where he graduated magna cum laude. Mr. Korangy was selected as a director due to his management experience with medical device, pharmaceutical and consumer health products, and his financial and accounting experience.

Gary J. Pruden, Director

Mr. Pruden has served on our board of directors since December 2017. Prior to joining us, from 1985 until 2017, Mr. Pruden held a number of senior commercial leadership positions across both the medical devices and pharmaceutical sectors of Johnson & Johnson (NYSE: JNJ). In April 2004, he became President of the Johnson & Johnson subsidiary, Janssen-Ortho Inc. in Canada. In January 2006, Mr. Pruden was appointed Worldwide President of Ethicon, Inc., a Johnson & Johnson subsidiary, and in 2009 became the Company Group Chairman of Ethicon, Inc. In 2012, he was named Worldwide Chairman of Johnson & Johnson's Global Surgery Group and in 2015 he became Worldwide Chairman in the Medical Devices division. In April 2016, Mr. Pruden became a member of the Executive Committee at Johnson & Johnson where his official title was Executive Vice President, Worldwide Chairman, Medical Devices. Mr. Pruden also served in several capacities with the Advanced Medical Technology Association (AdvaMed), a medical device trade association, where he participated in negotiations with the Federal Drug Administration. While at AdvaMed Mr. Pruden served as a member of the Board of

Directors, as Chair of the AdvaMed Regulatory Committee, and as a member of the AdvaMed Executive Committee. Mr. Pruden received his B.S. degree in finance at Rider University, where he later served on the Board of Trustees from 2011 until 2015. Mr. Pruden was selected as a director due to his management and regulatory experience with medical device and pharmaceutical products and his financial experience.

Committees of the Board of Directors

Our board of directors has established an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. Our board of directors may establish other committees to facilitate the management of our business. The composition and functions of each committee are described below. Members serve on these committees until their resignation or until otherwise determined by our board of directors. Each of these committees operate under a charter that has been approved by our board of directors, which will be available on our website.

Audit Committee. Our Audit Committee consists of Mr. Korangy, Mr. Jacobs and Mr. Sherman, with Mr. Korangy serving as the Chairman of the Audit Committee. Our board of directors has determined that the three directors currently serving on our Audit Committee are independent within the meaning of the Nasdaq Marketplace Rules and Rule 10A-3 under the Exchange Act. In addition, our board of directors has determined that Mr. Korangy qualifies as an audit committee financial expert within the meaning of SEC regulations and The Nasdaq Marketplace Rules.

The Audit Committee oversees and monitors our financial reporting process and internal control system, reviews and evaluates the audit performed by our registered independent public accountants and reports to the board of directors any substantive issues found during the audit. The Audit Committee is directly responsible for the appointment, compensation and oversight of the work of our registered independent public accountants. The Audit Committee reviews and approves all transactions with affiliated parties.

Compensation Committee. Our Compensation Committee consists of Mr. Hochman, Mr. Jacobs and Mr. Nussbaum, with Mr. Hochman serving as the Chairman of the Compensation Committee. Our board of directors has determined that the three directors currently serving on our Compensation Committee are independent under the listing standards, are “non-employee directors” as defined in rule 16b-3 promulgated under the Exchange Act and are “outside directors” as that term is defined in Section 162(m) of the Internal Revenue Code of 1986, as amended.

The Compensation Committee provides advice and makes recommendations to the board of directors in the areas of employee salaries, benefit programs and director compensation. The Compensation Committee also reviews and approves corporate goals and objectives relevant to the compensation of our President, Chief Executive Officer, and other officers and makes recommendations in that regard to the board of directors as a whole.

Nominating and Corporate Governance Committee. Our Nominating and Corporate Governance Committee consists of Mr. Sherman, Mr. Jacobs and Mr. Nussbaum, with Mr. Sherman serving as the Chairman of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee nominates individuals to be elected to the board of directors by our stockholders. The Nominating and Corporate Governance Committee considers recommendations from stockholders if submitted in a timely manner in accordance with the procedures set forth in our bylaws and will apply the same criteria to all persons being considered. All members of the Nominating and Corporate Governance Committee are independent directors as defined under the Nasdaq listing standards.

Director Independence

Our board of directors undertook a review of its composition, the composition of its committees and the independence of each director. Based upon information requested from and provided by each director concerning his or her background, employment and affiliations, including family relationships, our board of directors has determined that Mr. Hochman, Mr. Sherman, Mr. Jacobs, Dr. Nussbaum, Mr. Korangy and Mr. Pruden do not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is “independent” as that term is defined under the Rules of the Nasdaq Stock Market and the SEC.

Medical Advisory Board

We believe in seeking and attracting scientific and clinical leaders to provide counsel and support our growth. Our medical advisory board includes the following individuals, selected for their expertise in fields relating to gastroenterology and endoscopy, and we expect to add additional members in the future. Members of the medical advisory board meet with members of management and the board of directors to advise on scientific, product development and marketing matters. Each member of the medical advisory board is compensated on an hourly basis for services performed at our request, and is expected to attend at least one advisor board meeting per year, and to be available for at least two hours a month to provide feedback on clinical trial designs and new product designs.

Steven A. Edmundowicz, MD, FASGE

Dr. Steven Edmundowicz is the Medical Director of the Digestive Health Center at the University of Colorado Hospital and Professor of Medicine at the University of Colorado School of Medicine in Aurora, Colorado. He received his medical degree from Jefferson Medical College in Philadelphia, Pennsylvania, and completed residency training in internal medicine at Washington University School of Medicine, where he also completed a fellowship in gastroenterology. Dr. Edmundowicz is active in clinical practice, clinical investigation, teaching, and administration. He is a consultant and advisory board member for a number of medical device companies and has participated in a number of clinical trials in endoscopy, ERCP, and endoscopic ultrasound. Most recently, he has been involved with innovative endoscopic devices for use in the management of gastroesophageal reflux disease and morbid obesity. His clinical research involves the study and application of new technologies in endoscopy. In addition to his other responsibilities, Dr. Edmundowicz is the associate editor for ASGE News, and he was past senior associate editor of the journal *Gastrointestinal Endoscopy*. He maintains membership in the American Gastroenterological Association and American College of Gastroenterology and is a member of the ASGE Executive Committee and is the current ASGE treasurer.

Professor Ian M. Gralnek, MD, MSHS, FASGE

Professor Gralnek is Associate Professor of Medicine at the Rappaport Faculty of Medicine, Technion-Israel Institute of Technology and Chief, Ellen and Pinchas Mamber Institute of Gastroenterology and Hepatology at Ha’Emek Medical Center, Afula, Israel. Previously, he was a senior physician in the Institute of Gastroenterology at Rambam Health Care Campus, where he also headed the GI Outcomes Unit and was Chief of Hospital-Wide Ambulatory Care Services. He served his internship and residency in internal medicine at Hennepin County Medical Center in Minneapolis where he also served as Chief Resident. Professor Gralnek completed his fellowship in gastroenterology at UCLA Center for the Health Sciences. After receiving his Masters degree in Health Services from the UCLA School of Public Health, he completed a fellowship in health services research through UCLA, RAND & the West Los Angeles VA Medical Center. He has published more than 200 original papers, reviews, case reports, editorials, book chapters, and scientific abstracts. Professor Gralnek served as a counselor on the governing board of the American Society for Gastrointestinal Endoscopy (ASGE), Chairman of the International Committee for the ASGE, and as the Chairman of the ASGE Research Committee. He is a member of the European Society for Gastrointestinal Endoscopy (ESGE) Research and Education Committees and currently serves on the governing board of the ESGE. Professor Gralnek serves on the editorial boards of the *American Journal of Gastroenterology*, *Gastroenterology* and *Hepatology Research*, *Archives of Gastroenterohepatology*, and *Current Treatment Options in Gastroenterology*. He is also a Fellow of the American Society for Gastrointestinal Endoscopy.

Brian Jacobson, MD, MPH, AGAF, FASGE

Dr. Jacobson is the Medical Director of the Boston Accountable Care Organization (BACO), an ACO representing Boston Medical Center and several community health centers. He is an Associate Professor of Medicine at the Boston University School of Medicine and a practicing gastroenterologist at Boston Medical Center. Dr. Jacobson is also a therapeutic endoscopist performing endoscopic ultrasonography with fine-needle aspiration, ERCP, endoscopic mucosal resection, and placement of internal stents for palliation of malignant obstructions. He received his undergraduate degree from Amherst College, his medical degree from Albert Einstein College of Medicine, and his Masters Degree in Public Health from Harvard University School of Public Health. He completed both his residency in internal medicine and his fellowship in gastroenterology at Brigham and Women's Hospital. He later served as Chief Medical Resident at Brigham and Women's followed by a fellowship in advanced interventional endoscopy at the Brigham and Women's and Massachusetts General Hospitals. Dr. Jacobson performs advanced endoscopic procedures and has published more than 100 scientific articles, including original research appearing in the New England Journal of Medicine, Gastroenterology and Gut. He participates in the training of fellows, residents, and medical students at Boston Medical Center and Boston University School of Medicine and is a Councilor on the Governing Board of the American Society for Gastrointestinal Endoscopy.

David Lieberman, MD, FACG

Dr. David Lieberman is Professor of Medicine and Chief of the Division of Gastroenterology and Hepatology at Oregon Health and Science University (OHSU) in Portland, Oregon and the Portland VA Medical Center. Dr. Lieberman was previously the Associate Editor of Gastrointestinal Endoscopy and served as the Director of the NIH Workshop on Endoscopic Research Priorities. Dr. Lieberman is internationally recognized as an expert on colon cancer screening, with major research publications in New England Journal of Medicine, JAMA, Annals of Internal Medicine and Gastroenterology. Dr. Lieberman was the Chairman of the Multi-Society Task Force on Colorectal Cancer (2006-2012), and authored colon cancer screening guidelines in 2008 and polyp surveillance guideline in 2012 as well as colonoscopy quality indicators in 2007. He is the Director of the Clinical Outcomes Research Initiative (CORI), supported by NIH since 1999, which studies quality of endoscopy. Dr. Lieberman was Associate Editor of Gastroenterology (2011-2013) and was a member of the AGA Board (2012-2015) and currently serves as Vice President of AGA (2016-2017). Dr. Lieberman received his medical degree from the University of Michigan, Ann Arbor. He completed his internal medicine residency and gastroenterology fellowship at Oregon Health and Science University.

Ori Segol, MD

Dr. Ori Segol is a graduate of the Technion Institute of Haifa, Israel. He currently serves as Director of the Institute for the Digestive Tract, Carmel Medical Center, Haifa. Dr. Segol is a member of the Israeli Gastroenterology Association, the Israel Association for the Study of the Liver, the American Gastroenterological Association, the American Association for the Study of Liver Disease, and the American Society for Gastrointestinal Endoscopy. Dr. Segol is highly experienced in performing advanced endoscopic procedures, including the removal of complex lesions in the digestive tract.

Professor Peter D. Siersema, MD, PhD, FASGE

Peter D. Siersema, MD, PhD is Professor of Endoscopic Gastrointestinal Oncology at the Radboud University Medical Center, Nijmegen, The Netherlands. His clinical interests include pre-malignant and malignant diseases of the gastrointestinal tract, especially esophageal cancer, hepato-biliary-pancreatic cancer and colorectal cancer. He is specialized in diagnostic and therapeutic endoscopy, i.e., endoscopic imaging, EMR/ESD, stent placement and ERCP. Dr. Siersema is President of the Dutch Society of Gastroenterology, Chair of the Committee for Revising the Dutch Gastroenterology Fellowship curriculum and Member of the Advisory Board of the Development and Innovation Committee of the Dutch Cancer Society. On an international level he is President of the European Society for Diseases of Esophagus (ESDE) and member of the Governing Board of the European Society for Gastrointestinal Endoscopy (ESGE). Dr. Siersema is Editor-in-Chief of the journal Endoscopy. He has authored more than 550 peer-reviewed papers and chapters in books, and has edited more than 20 books.

Gerald Bertiger, M.D.

Gerald Bertiger, MD, is the Managing Partner and President of Hillmont, GI, P.C. and Section Chief of Gastroenterology and Director of the Endoscopy Unit at Chestnut Hill Hospital. Dr. Bertiger is a clinical gastroenterologist who has been practicing in the northwest Philadelphia area for over 30 years. He completed his fellowship in gastroenterology at the Hospital of the University of Pennsylvania, and developed the first certified ambulatory endoscopy center in the state of Pennsylvania. Dr. Bertiger has developed his practice as a vertically integrated gastroenterology practice with lines of business in GI clinical practice, pathology, histology, anesthesia, ambulatory surgery and clinical research. He has consulted on medical affairs with companies in the pharmaceutical industry and served as a principal investigator for FDA monitored trials. His publications are in the areas of bowel preparations and basic motility research.

Compensation Committee Interlocks and Insider Participation

None of our executive officers serves, or in the past has served, as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of any entity that has one or more executive officers who serve as members of our board of directors or our compensation committee. None of the members of our compensation committee is, or has ever been, an officer or employee of our company.

Code of Business Conduct and Ethics

We have adopted a written code of business conduct and ethics that applies to our employees, officers and directors. A current copy of the code will be posted on the Corporate Governance section of our website, which will be located at www.motusgi.com. We intend to disclose future amendments to certain provisions of our code of business conduct and ethics, or waivers of such provisions applicable to any principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, and our directors, on our website identified above or in filings with the SEC.

Limitation of Directors Liability and Indemnification

The Delaware General Corporation Law authorizes corporations to limit or eliminate, subject to certain conditions, the personal liability of directors to corporations and their stockholders for monetary damages for breach of their fiduciary duties. Our certificate of incorporation limits the liability of our directors to the fullest extent permitted by Delaware law. In addition, we have entered into indemnification agreements with all of our directors and named executive officers whereby we have agreed to indemnify those directors and officers to the fullest extent permitted by law, including indemnification against expenses and liabilities incurred in legal proceedings to which the director or officer was, or is threatened to be made, a party by reason of the fact that such director or officer is or was a director, officer, employee or agent of the Company, provided that such director or officer acted in good faith and in a manner that the director or officer reasonably believed to be in, or not opposed to, the best interests of the Company.

We have director and officer liability insurance to cover liabilities our directors and officers may incur in connection with their services to us, including matters arising under the Securities Act. Our certificate of incorporation and bylaws also provide that we will indemnify our directors and officers who, by reason of the fact that he or she is or was one of our officers or directors of our Company, is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative related to their board role with the Company.

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

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table shows the compensation awarded to or earned by our principal executive officer during the fiscal year ended December 31, 2017, our two other most highly compensated executive officers who were serving as executive officers as of December 31, 2017, and up to two additional individuals for whom disclosure would have been provided but for the fact that the individual was not serving as an executive officer as of December 31, 2017. The persons listed in the following table are referred to herein as the “ named executive officers” .

| Name and Principal Position | Year | Salary (\$) | Bonus (\$) | Stock Awards (\$) | Option Awards (\$) (1) | All Other Compensation (\$) | Total (\$) |
|---------------------------------------|------|----------------|---------------|-------------------------|------------------------------|-----------------------------------|---------------|
| Mark Pomeranz | 2017 | 350,000 | - (2) | 639 | 1,122,788 | 30,712 | 1,504,139 |
| <i>Chief Executive Officer</i> | 2016 | 350,000 | 70,000 | - | - | 57,382 | 471,883 |
| Andrew Taylor (3) | 2017 | 110,625 | 15,000 (4) | - | 601,050 | 9,492 | 736,167 |
| <i>Chief Financial Officer</i> | 2016 | - | - | - | - | - | - |
| James Martin (5) | 2017 | 93,154 | - | 639 | 289,934 | 7,182 | 390,909 |
| <i>Former Chief Financial Officer</i> | 2016 | 31,818 | - | - | - | 690 | 32,508 |

(1) Amounts reflect the grant date fair value of option awards granted in 2017 and, to the extent applicable, the incremental fair value of stock options repriced in September 2017, in accordance with Accounting Standards Codification Topic 718. For information regarding assumptions underlying the valuation of equity awards, see Note 4 to our Consolidated Financial Statements and the discussion under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Stock-Based Compensation” included in this prospectus. These amounts do not correspond to the actual value that may be received by the named executive officers if the stock options are exercised.

(2) The amount of the performance bonus for Mr. Pomeranz for fiscal year 2017 is not calculable through the date of filing this registration statement. The amount of performance bonus is expected to be determined by March 31, 2018.

(3) Andrew Taylor began serving as our Chief Financial Officer on August 16, 2017.

(4) The amount of the performance bonus for Mr. Taylor for fiscal year 2017 is not calculable through the date of filing this registration statement. The amount of performance bonus is expected to be determined by August 31, 2018.

(5) James Martin began serving as our Chief Financial Officer on November 6, 2016, and ceased serving as our Chief Financial Officer effective June 9, 2017.

Employment Agreements

In connection with the Share Exchange Transaction, we entered into an employment agreement with Mr. Pomeranz, which became effective on December 22, 2016 for a period of three years, which contains non-disclosure and invention assignment provisions. Under the terms of Mr. Pomeranz’s employment agreement, he holds the position of Chief Executive Officer, and is a member of the board of directors, and receives a base salary of \$350,000 annually, subject to adjustments in the discretion of the board of directors; and he received a signing bonus of \$70,000 upon the closing of the Share Exchange Transaction. In addition, Mr. Pomeranz is also eligible to receive an annual bonus, which is targeted at up to 25% of his base salary but which may be adjusted by our board of directors based on his individual performance and our performance as a whole. In connection with the final closing of the 2017 Private Placement, in May of 2017 Mr. Pomeranz received a grant of options to purchase up to 511,113 shares of our common stock pursuant to our Equity Incentive Plan with an exercise price of \$5.00 per share , of which fifty-three percent (53%) were fully vested when issued, forty percent (40%) will vest in a series of twelve (12) successive equal quarterly installments upon the completion of each successive calendar quarter of active service over the three (3) year period measured from the date of grant, as was determined by the Compensation Committee of the board of directors, and seven percent (7%) will not become fully vested until three years from the date of his employment agreement. This option was repriced to \$4.50 per share in September 2017. In addition, pursuant to the terms of his employment agreement, Mr. Pomeranz is eligible to receive, from time to time, equity awards under our existing equity incentive plan, or any other equity incentive plan we may adopt in the future, and the terms and conditions of such awards, if any, will be determined by our Board of Directors or Compensation Committee, in their discretion. Mr. Pomeranz is also eligible to participate in any executive benefit plan or program we adopt.

On August 16, 2017, we entered into an employment agreement with Mr. Taylor, which became effective on August 16, 2017 (the “Commencement Date”) for a period of two years, which contains non-disclosure and invention assignment provisions. Under the terms of Mr. Taylor’s employment agreement, he holds the position of Chief Financial Officer and receives a base salary of \$295,000 annually, subject to adjustments in the discretion of the board of directors; and he will be eligible to receive a signing bonus of \$15,000 upon the date that is six (6) months following the Commencement Date. Mr. Taylor is also eligible to receive a relocation bonus of up to \$35,000 if Mr. Taylor elects to relocate to Florida. In addition, Mr. Taylor is also eligible to receive a first year bonus payable following the one year anniversary of the Commencement Date, which is targeted at \$30,000, and a second year bonus payable following the two year anniversary of the Commencement Date, which is targeted at \$35,000, both of which may be adjusted by our board of directors based on his individual performance and our performance as a whole. In connection with his employment agreement, in September 2017 Mr. Taylor received a grant of options to purchase up to 240,000 shares of our common stock pursuant to our Equity Incentive Plan with an exercise price of

\$4.50 per share , which vests in a series of twelve (12) successive equal quarterly installments upon the completion of each successive calendar quarter of active service over the three (3) year period measured from the date of grant, as determined by the Compensation Committee of the board of directors. In addition, pursuant to the terms of his employment agreement, Mr. Taylor is eligible to receive, from time to time, equity awards under our existing equity incentive plan, or any other equity incentive plan we may adopt in the future, and the terms and conditions of such awards, if any, will be determined by our Board of Directors or Compensation Committee, in their discretion. Mr. Taylor is also eligible to participate in any executive benefit plan or program we adopt.

The employment agreements with Israeli employees of Opco contain standard provisions for a company in our industry regarding non-competition, confidentiality of information and assignment of inventions. The enforceability of covenants not to compete in Israel is subject to limitations. For example, Israeli courts have recently required employers seeking to enforce non-compete undertakings of a former employee to demonstrate that the competitive activities of the former employee will harm one of a limited number of material interests of the employer which have been recognized by the courts, such as the secrecy of a company's confidential commercial information or its intellectual property.

Outstanding Equity Awards at Fiscal Year-End

The following table summarizes, for each of the named executive officers, the number of shares of our common stock underlying outstanding stock options held as of December 31, 2017.

| Name | Number of securities underlying unexercised options (#) | | Option Exercise Price (\$) | Option Expiration Date |
|-------------------------------|---|----------------|----------------------------|------------------------|
| | Exerciseable | Unexerciseable | | |
| Mark Pomeranz (CEO) | 41,076 (1) | 26,162 | 2.38 | March 26, 2024 |
| | 304,964 (2) | 206,149 (2) | 4.50 (2) | May 3, 2027 |
| Andrew Taylor (CFO) | 20,000 (3) | 220,000 (3) | 4.50 | September 28, 2027 |
| James Martin (Former CFO) (4) | - | - | - | - |

(1) Represents options to purchase shares of our common stock granted on March 26, 2014, under the Motus G.I. Medical Technologies LTD Employee Share Option Plan that were outstanding as of the Share Exchange Transaction, which were assumed by the 2016 Equity Incentive Plan (the "2016 Plan") and continue in effect in accordance with their terms, on an adjusted basis to reflect the Share Exchange Transaction (see "Description of the 2016 Equity Incentive Plan - Administration" below). 61% of the option was vested as of December 31, 2017, with the remaining 39% of the option vesting in full in November 2018.

(2) Represents options to purchase shares of our common stock granted on May 4, 2017, with an exercise price of \$5.00 per share. Fifty-three percent (53%) of the option vested immediately upon grant, forty percent (40%) of the option vests in a series of twelve (12) successive equal quarterly installments commencing on May 4, 2017 and continuing on the first day of each third month thereafter, and the remaining seven percent (7%) of the option vests on December 22, 2019. This option was repriced to \$4.50 per share in September 2017.

(3) Represents options to purchase shares of our common stock granted on September 29, 2017, with an exercise price of \$4.50 per share. The shares underlying the option vest in a series of twelve (12) successive equal quarterly installments commencing on December 1, 2017 and continuing on the first day of each third month thereafter.

(4) Mr. Martin ceased serving as our Chief Financial Officer effective June 9, 2017. Pursuant to the terms of the option to purchase shares of our common stock granted on May 4, 2017, and the 2016 Equity Incentive Plan, Mr. Martin's options terminated and were canceled as of September 7, 2017, the date which was 90 days after Mr. Martin's continuous service ended. Mr. Martin had no vested or unvested equity awards outstanding as of December 31, 2017.

Director Compensation

The following table sets forth information concerning the compensation paid to certain of our non-employee directors during 2017.

| Name | Fees earned or paid in cash (\$) | Option awards (\$)(1) | Total (\$) |
|-----------------|----------------------------------|-----------------------|------------|
| David Hochman | 34,000 | 126,000 (2)(7) | 160,000 |
| Darren Sherman | 16,000 | 72,000 (3)(7) | 88,000 |
| Gary Jacobs | 14,500 | 66,600 (4)(7) | 81,100 |
| Samuel Nussbaum | 13,000 | 36,000 (5)(7) | 49,000 |
| Shervin Korangy | 18,000 | 46,800 (6)(7) | 64,800 |
| Gary Pruden | 2,167 | - | 2,167 |

(1) Amounts reflect the aggregate grant date fair value of each stock option granted in 2017 and the incremental fair value of stock options repriced in September 2017, in accordance with the Accounting Standards Codification Topic 718. For information regarding assumptions underlying the valuation of equity awards, see Note 4 to our Consolidated Financial Statements and the discussion under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Stock-Based Compensation" included in this prospectus. These amounts do not correspond to the actual value that may be received by the directors if the stock options are exercised.

(2) The aggregate number of shares of common stock underlying stock options outstanding as of December 31, 2017 held by Mr. Hochman was 175,000.

(3) The aggregate number of shares of common stock underlying stock options outstanding as of December 31, 2017 held by Mr. Sherman was 100,000.

(4) The aggregate number of shares of common stock underlying stock options outstanding as of December 31, 2017 held by Mr. Jacobs was 92,500.

(5) The aggregate number of shares of common stock underlying stock options outstanding as of December 31, 2017 held by Mr. Nussbaum was 50,000.

(6) The aggregate number of shares of common stock underlying stock options outstanding as of December 31, 2017 held by Mr. Korangy was 65,000.

(7) This stock option was granted in May 2017 with an exercise price of \$5.00 per share, which stock option was repriced to have an exercise price of \$4.50 per share in September 2017.

Non-Employee Director Compensation and Advisory Board Compensation

Our board of directors approved a director compensation policy for our directors, effective beginning July 1, 2017. This policy provides for the following cash compensation:

- each director is entitled to receive a quarterly fee from us of \$6,500;
- the chairman of the Board will receive a quarterly fee from us of \$9,000;
- the chair of the Audit Committee will receive a quarterly fee from us of \$2,500;
- each chair of any other board of director committee will receive a quarterly fee from us of \$1,500; and
- each non-employee director sitting on more than two Board committees will receive an additional quarterly fee of \$750.

All fees under the director compensation policy will be paid on a quarterly basis in arrears and no per meeting fees will be paid. We will also reimburse non-employee directors for reasonable expenses incurred in connection with attending board of director and committee meetings.

Board Leadership Structure and Role in Risk Oversight

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. While the board of directors oversees risk management, our management is responsible for our day-to-day risk management process. Our board of directors has an active role, directly and through its committee structure, in the oversight of our risk management efforts.

Our board of directors satisfies this responsibility through full reports by each committee chair regarding the committee's considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within our company. Our Audit Committee assists the board in performing its oversight responsibilities relating to our processes and policies with respect to identifying, monitoring, assessing, reporting on, managing and controlling our business and financial risk. The Audit Committee oversees, reviews, monitors and assesses (including through regular reports by, and discussions with, management), our processes and policies for risk identification, risk assessment, reporting on risk, risk management and risk control (including with respect to risks arising from our compensation policies and practices and in connection with the business and operations of its subsidiaries), and the steps that management has taken to identify, assess, monitor, report on, manage and control risks. The Audit Committee also discusses with management the balancing of risk versus reward for us and areas of specific risk identified by management and/or the Audit Committee.

Our board of directors believes that full and open communication between management and the board of directors is essential for effective risk management and oversight.

2016 Equity Incentive Plan

General

On December 14, 2016, our board of directors adopted the 2016 Plan having substantially the terms described herein.

The general purpose of the 2016 Plan is to provide a means whereby eligible employees, officers, non-employee directors and other individual service providers develop a sense of proprietorship and personal involvement in our development and financial success, and to encourage them to devote their best efforts to our business, thereby advancing our interests and the interests of our stockholders. By means of the 2016 Plan, we seek to retain the services of such eligible persons and to provide incentives for such persons to exert maximum efforts for our success and the success of our subsidiaries.

Description of the 2016 Equity Incentive Plan

The following is a summary description of the principal terms of the 2016 Plan and is qualified in its entirety by the full text of the 2016 Plan.

Administration. The 2016 Plan is administered by the Compensation Committee of our board of directors. The Compensation Committee is authorized to grant options to purchase shares of our common stock, stock appreciation rights, restricted stock, stock units, performance shares, performance units, incentive bonus awards, other cash-based awards and other stock-based awards. Stock options granted under the Motus G.I. Medical Technologies LTD Employee Share Option Plan that were outstanding as of the Share Exchange Transaction were assumed by the 2016 Plan and continue in effect in accordance with their terms, subject to appropriate adjustments to reflect the Share Exchange Transaction (the "Assumed Options"). The Compensation Committee also has authority to determine the terms and conditions of each award, prescribe, amend and rescind rules and regulations relating to the 2016 Plan, and amend the terms of awards in any manner not inconsistent with the 2016 Plan (provided that no amendment may adversely affect the rights of a participant without his or her consent), including authority to reduce or reprice the exercise price of outstanding options or stock appreciation rights. The Compensation Committee is permitted to delegate to officers and employees authority to grant options and other awards to employees (other than themselves), subject to applicable law and restrictions in the 2016 Plan. No award will be granted under the 2016 Plan on or after the ten year anniversary of the adoption of the 2016 Plan by our board of directors, but awards granted prior to the ten year anniversary may extend beyond that date.

Eligibility. Persons who are eligible to receive awards under the 2016 Plan include any person who is an employee, officer, director, consultant, advisor or other individual service provider of the Company or any subsidiary, or any person who is determined by the Compensation Committee to be a prospective employee, officer, director, consultant, advisor or other individual service provider of the Company or any subsidiary.

Shares Subject to the 2016 Plan. As of January 1, 2018, the aggregate number of shares of our common stock that are available for issuance in connection with options and awards granted under the 2016 Plan and Assumed Options is 2,641,250. Incentive stock options may, but need not be, granted with respect to all of the shares available for issuance under the 2016 Plan. If any award granted under the 2016 Plan payable in shares of our common stock is forfeited, cancelled, returned for failure to satisfy vesting requirements, is otherwise forfeited, otherwise terminates without payment being made, or if shares of our common stock are surrendered in full or partial payment of the exercise price or withheld to cover withholding taxes on options or other awards, the number of shares of our common stock as to which such option or award was forfeited, or which were surrendered or withheld, will be available for future grants under the 2016 Plan.

In addition, the 2016 Plan contains an “evergreen” provision allowing for an annual increase, on January 1 of each year during the term of the 2016 Plan, in the number of shares of our common stock available for issuance under the 2016 Plan. The annual increase in the number of shares shall be equal to six percent (6%) of the total number of shares of our common stock outstanding on December 31st of the preceding calendar year; provided, however, that our board of directors may act prior to the first day of any calendar year to provide that there shall be no increase such calendar year, or that the increase shall be a lesser number of shares of our common stock than would otherwise occur.

Terms and Conditions of Options. Options granted under the 2016 Plan may be either “incentive stock options” that are intended to meet the requirements of Section 422 of the Code or “nonqualified stock options” that do not meet the requirements of Section 422 of the Code. The Compensation Committee will determine the exercise price of options granted under the 2016 Plan. The exercise price of stock options may not be less than the fair market value per share of our common stock on the date of grant (or 110% of fair market value in the case of incentive stock options granted to a ten-percent stockholder).

If on the date of grant our common stock is listed on a stock exchange or national market system, the fair market value will generally be the closing sale price on the date of grant. If our common stock is not traded on a stock exchange or national market system on the date of grant, the fair market value will generally be the average of the closing bid and asked prices for our common stock on the date of grant. If no such prices are available, the fair market value shall be determined in good faith by the Compensation Committee based on the reasonable application of a reasonable valuation method. Notwithstanding the foregoing, if the date for which fair market value is determined is the date on which the final prospectus relating to an initial public offering of the Company is filed, the fair market value for such date will be the “Price to the Public” (or equivalent) set forth on the cover page for the final prospectus.

No option will be exercisable for more than ten years from the date of grant (five years in the case of an incentive stock option granted to a ten-percent stockholder). Options granted under the 2016 Plan will be exercisable at such time or times as the Compensation Committee prescribes at the time of grant. No employee may receive incentive stock options that first become exercisable in any calendar year in an amount exceeding \$100,000. The Compensation Committee has authority, in its discretion, to permit a holder of a nonqualified stock option to exercise the option before it has otherwise become exercisable, in which case the shares of our common stock issued to the recipient will be restricted stock subject to vesting requirements analogous to those that applied to the option before exercise.

Generally, the exercise price of an option is payable (a) in cash or by certified bank check, (b) through delivery of shares of our common stock having a fair market value equal to the purchase price, or (c) such other method as approved by the Compensation Committee and set forth in an award agreement. The Compensation Committee is also authorized to establish a cashless exercise program and to permit the exercise price to be satisfied by reducing from the shares otherwise issuable upon exercise a number of shares having a fair market value equal to the exercise price.

No option will be transferrable other than by will or by the laws of descent and distribution, and during a recipient's lifetime an option will be exercisable only by the recipient. However, the Compensation Committee is authorized to permit the holder of nonqualified stock options, share-settled stock appreciation rights, restricted stock, performance shares or other share-settled stock based awards to transfer the option, right or other award to immediate family members, to a trust for estate planning purposes, or by gift to charitable institutions. The Compensation Committee has the authority to determine the extent to which a holder of a stock option may exercise the option following termination of service with us.

Stock Appreciation Rights. The Compensation Committee is authorized to grant stock appreciation rights ("SARs") independent of or in connection with an option. The Compensation Committee is also authorized to determine the other terms applicable to SARs. The base price of a SAR will be determined by the Compensation Committee, but will not be less than 100% of the fair market value of a share of our common stock on the date of grant. The maximum term of any SAR granted under the 2016 Plan will be ten years from the date of grant. Generally, each SAR will entitle a participant upon exercise to an amount equal to:

- the excess of the fair market value on the exercise date of one share of our common stock over the base price, *multiplied by*
- the number of shares of our common stock as to which the SAR is exercised.

Payment may be made in shares of our common stock, in cash, or partly in shares of our common stock and partly in cash, all as determined by the Compensation Committee.

Restricted Stock and Stock Units. The Compensation Committee is authorized to award restricted common stock and/or stock units under the 2016 Plan. Restricted stock awards consist of shares of stock that are transferred to a participant subject to restrictions that may result in forfeiture if specified conditions are not satisfied. Stock units confer the right to receive shares of our common stock, cash, or a combination of shares and cash, at a future date upon or following the attainment of such conditions as may be specified by the Compensation Committee. The Compensation Committee is authorized to determine the restrictions and conditions applicable to each award of restricted stock or stock units, which may include performance-based conditions. The 2016 Plan provides that dividends with respect to restricted stock may be paid to the holder of the shares as and when dividends are paid to stockholders or at the time that the restricted stock vests, as determined by the Compensation Committee. Dividend equivalent amounts under the 2016 Plan may also be paid with respect to stock units, and are subject to the same restrictions on transferability as the stock units with respect to which they were paid. Unless the Compensation Committee determines otherwise, holders of restricted stock have the right to vote the shares.

Performance Shares and Performance Units. The Compensation Committee is authorized to award performance shares and/or performance units under the 2016 Plan. Performance shares and performance units are awards, denominated in either shares or U.S. dollars, which are earned during a specified performance period subject to the attainment of performance criteria, as established by the Compensation Committee. The Compensation Committee has the authority to determine the restrictions and conditions applicable to each award of performance shares and performance units.

Incentive Bonus Awards. The Compensation Committee is authorized to award incentive bonus awards payable in cash or shares of our common stock, as set forth in an award agreement. The Compensation Committee has the authority to determine the terms and conditions applicable to each incentive bonus award.

Other Stock-Based and Cash-Based Awards. The Compensation Committee is authorized to award other types of equity-based or cash-based awards under the 2016 Plan, including the grant or offer for sale of shares of our common stock that do not have vesting requirements and the right to receive one or more cash payments subject to satisfaction of such conditions as the Compensation Committee may impose.

Section 162(m) Compliance. Section 162(m) of the Code, as amended by the 2017 Tax Act, generally limits the deductibility of compensation paid by a publicly-held company to a “covered employee” for a taxable year to \$1 million. “Covered employees” include our Chief Executive Officer, Chief Financial Officer and our next three highest compensated named executive officers. Effective for taxable years beginning prior to January 1, 2018, an exception to this deduction limit applied to “performance-based compensation”, such as stock options and other equity awards, that satisfies certain criteria. The exception for “performance-based compensation” continues to apply to certain written binding contracts which were in effect on November 2, 2017 and that are not modified in any material respect on or after that date.

Unless materially modified, stock options and other equity awards made under the Plan prior to January 1, 2018 should be exempt from the Section 162(m) deductibility limit because they were granted before this initial public offering. However, in light of the elimination of the exception to the Section 162(m) deduction limit for performance-based compensation, we will not be able to deduct amounts with respect to stock options and other equity awards made under the Plan on or after January 1, 2018 in excess of the Section 162(m) limit.

The Plan includes certain terms that were intended to allow awards to be made that would meet the Section 162(m) exception for performance-based compensation. In light of the elimination of the exception for performance-based compensation by the 2017 Tax Act effective for taxable years beginning on and after January 1, 2018, those provisions are no longer relevant. However, a Plan limitation intended to satisfy the Section 162(m) exception for performance-based compensation will continue to apply. Under that limitation, the maximum number of shares of our common stock with respect to which any one participant may be granted stock options or stock appreciation rights under the Plan during any calendar year is 1,500,000 shares.

Effect of Certain Corporate Transactions. The Compensation Committee has the authority to provide, at the time of the grant of an award, for the effect of a change in control (as defined in the 2016 Plan) on any award, including (i) accelerating or extending the time periods for exercising, vesting in, or realizing gain from any award, (ii) eliminating or modifying the performance or other conditions of an award, (iii) providing for the cash settlement of an award for an equivalent cash value, as determined by the Compensation Committee, or (iv) such other modification or adjustment to an award as the Compensation Committee deems appropriate to maintain and protect the rights and interests of participants following a change in control. The Compensation Committee has the authority, in its discretion and without the need for the consent of any recipient of an award, to also take one or more of the following actions contingent upon the occurrence of a change in control: (a) cause any or all outstanding options and stock appreciation rights to become immediately exercisable, in whole or in part; (b) cause any other awards to become non-forfeitable, in whole or in part; (c) cancel any option or stock appreciation right in exchange for a substitute option; (d) cancel any award of restricted stock, stock units, performance shares or performance units in exchange for a similar award of the capital stock of any successor corporation; (e) redeem any restricted stock for cash and/or other substitute consideration with a value equal to the fair market value of an unrestricted share of our common stock on the date of the change in control; (f) cancel any option or stock appreciation right in exchange for cash and/or other substitute consideration based on the value of our common stock on the date of the change in control, and cancel any option or stock appreciation right without any payment if its exercise price exceeds the value of our common stock on the date of the change in control; or (g) make such other modifications, adjustments or amendments to outstanding awards as the Compensation Committee deems necessary or appropriate.

Amendment, Termination. The Compensation Committee has the authority to amend the terms of awards in any manner not inconsistent with the 2016 Plan, provided that no amendment shall adversely affect the rights of a participant with respect to an outstanding award without the participant's consent. In addition, our board of directors has the authority, at any time, to amend, suspend, or terminate the 2016 Plan, provided that (i) no such amendment, suspension or termination materially and adversely affects the rights of any participant under any outstanding award without the consent of such participant and (ii) to the extent necessary to comply with any applicable law, regulation, or stock exchange rule, the 2016 Plan requires us to obtain stockholder consent. Stockholder approval is required for any plan amendment that increases the number of shares of our common stock available for issuance under the 2016 Plan or changes the persons or classes of persons eligible to receive awards.

Tax Withholding

As and when appropriate, we shall have the right to require each optionee purchasing shares of our common stock and each grantee receiving an award of shares of our common stock under the 2016 Plan to pay any federal, state or local taxes required by law to be withheld.

Option Grants and Stock Awards

The grant of options and other awards under the 2016 Plan is discretionary and we cannot determine now the specific number or type of options or awards to be granted in the future to any particular person or group.

Israeli Aspects of the 2016 Plan

The 2016 Israeli Sub-Plan (the "Sub-Plan") provides for the grant of awards pursuant to the Israeli Income Tax Ordinance (New Version), 1960, as amended (the "Israeli Tax Ordinance"): awards granted pursuant to (i) Section 102 of the Israeli Tax Ordinance ("Section 102 Awards") and (ii) Section 3(i) of the Israeli Tax Ordinance ("Section 3(i) Awards"). The 2016 Plan and the Sub-Plan provide, subject to applicable law, that Section 102 Awards may be granted only to Israeli employees, officers and directors (excluding Controlling Shareholders as defined by the Israeli Tax Ordinance¹) and Section 3(i) Awards (which does not provide for similar tax benefits) may be granted to Israeli non-employees including consultants, service providers and Controlling Shareholders (as defined by the Israeli Tax Ordinance), in each case, of our company or any subsidiary. The 2016 Plan and the Sub-Plan were submitted for the approval of the Israeli Tax Authority (the "ITA"), as required by applicable law.

Section 102 of the Israeli Tax Ordinance includes two alternatives for tax treatment involving the issuance of options or shares to a trustee for the benefit of the grantees, which are referred to as the capital gains track and the ordinary income track, and also includes an additional alternative for the issuance of options or shares issued directly to the grantee. Under the Sub-Plan, each Section 102 Award designates that such award be granted under the capital gains track or the ordinary income track. We cannot select both tracks simultaneously for Section 102 Awards and the election of the type of track shall apply to all Section 102 Awards awarded under the Sub-Plan (unless the election is changed pursuant to the provisions of the Israeli Tax Ordinance).

The Assumed Options granted to employees under the Motus G.I. Medical Technologies Ltd. Employee Share Option Plan, were granted under Section 102(b)(2) of the Israeli Tax Ordinance, which permits the issuance to a trustee under the "capital gains track." In order to comply with the terms of the "capital gains track", all options granted under a specific plan and subject to the provisions of Section 102 of the Israeli Tax Ordinance, as well as the shares issued upon exercise of such options and other shares received subsequently following any realization of rights with respect to such options, such as share dividends and share splits, must be registered in the name of a trustee selected by the board of directors and held in trust for the benefit of the relevant employee, director or officer for a period of two years from the date of grant and deposit with such trustee. However, under this track, the "employing company" (within the meaning of Section 102(a) of the Israeli Tax Ordinance) is not allowed to deduct an expense with respect to the issuance of the options or shares.

Indemnification Agreements

We have entered into Indemnification Agreements with all of our directors and named executive officers (the "Indemnification Agreements"). The Indemnification Agreements provide for indemnification against expenses, judgments, fines and penalties actually and reasonably incurred by an indemnitee in connection with threatened, pending or completed actions, suits or other proceedings, subject to certain limitations. The Indemnification Agreements also provide for the advancement of expenses in connection with a proceeding prior to a final, nonappealable judgment or other adjudication, provided that the indemnitee provides an undertaking to repay to us any amounts advanced if the indemnitee is ultimately found not to be entitled to indemnification by us. The Indemnification Agreements set forth procedures for making and responding to a request for indemnification or advancement of expenses, as well as dispute resolution procedures that will apply to any dispute between us and an indemnitee arising under the Indemnification Agreements.

¹ Controlling Shareholder is defined in the Israeli Tax Ordinance as any person who holds, directly or indirectly, individually or together with any of his relatives (as defined in the Israeli Tax Ordinance), any of the following: (i) at least 10% of the outstanding share capital or voting rights of the company; (ii) the right to hold or acquire at least 10% of the outstanding share capital or voting rights of the company; (iii) the right to receive at least 10% of the company's profits; or (iv) the right to appoint a director of the company.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of the date of this prospectus by:

- each of our stockholders who is known by us to beneficially own 5% or more of our common stock;
- each of our named executive officers;
- each of our directors; and
- all of our directors and current officers as a group.

Beneficial ownership is determined based on the rules and regulations of the SEC. A person has beneficial ownership of shares if such individual has the power to vote and/or dispose of shares. This power may be sole or shared and direct or indirect. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of our common stock that are subject to options or warrants held by that person and exercisable as of, or within 60 days of, September 30, 2017 are counted as outstanding. These shares, however, are not counted as outstanding for the purposes of computing the percentage ownership of any other person(s). Except as may be indicated in the footnotes to this table and pursuant to applicable community property laws, each person named in the table has sole voting and dispositive power with respect to the shares of our common stock set forth opposite that person's name. Unless indicated below, the address of each individual listed below is c/o Motus GI Holdings, Inc., 1301 East Broward Boulevard, 3rd Floor, Ft. Lauderdale, FL 33301.

Applicable percentage ownership in the following table is based on 12,072,972 shares of our common stock outstanding as of September 30, 2017 and also lists applicable percentage ownership based on 16,322,972 shares of our common stock assumed to be outstanding after completion of the offering, assuming no exercise by the underwriters of their option to purchase additional shares of our common stock. These amounts assume the conversion of all outstanding shares of our Series A Convertible Preferred Stock into shares of our common stock, which will occur upon the consummation of this offering.

Certain entities holding more than 5% of our common stock and all of our directors and executive officers have indicated an interest in purchasing shares of our common stock in this offering at the initial public offering price, including (i) Perceptive Life Sciences Master Fund Ltd., which has indicated an interest in purchasing up to \$5.0 million of such shares of our common stock at the initial public offering price, (ii) the Peierls Trusts (as defined below) and the Peierls Entities (as defined below), which have indicated an interest in collectively purchasing up to \$0.5 million of such shares of our common stock at the initial public offering price, (iii) Orchestra Medical Ventures II, L.P., which has indicated an interest in purchasing up to \$225,000 of such shares of our common stock at the initial public offering price, (iv) Gary Pruden, who has indicated an interest in purchasing up to \$250,000 of such shares of our common stock at the initial public offering price, (v) David Hochman, who has indicated an interest in purchasing up to \$100,000 of such shares of our common stock at the initial public offering price, (vi) Shervin Korangy, who has indicated an interest in purchasing up to \$100,000 of such shares of our common stock at the initial public offering price, (vii) Mark Pomeranz, who has indicated an interest in purchasing up to \$50,000 of such shares of our common stock at the initial public offering price, (viii) Samuel Nussbaum, who has indicated an interest in purchasing up to \$50,000 of such shares of our common stock at the initial public offering price, (ix) Darren Sherman, who has indicated an interest in purchasing up to \$25,000 of such shares of our common stock at the initial offering price, (x) Gary Jacobs, who has indicated an interest in purchasing up to \$25,000 of such shares of our common stock at the initial offering price, and (xi) Andrew Taylor, who has indicated an interest in purchasing up to \$25,000 of such shares of our common stock at the initial offering price. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters could determine to sell more, less or no shares to any of these potential investors and any of these potential investors could determine to purchase more, less or no shares in this offering.

The table below excludes any shares of our common stock that may be purchased in this offering (1) pursuant to the directed share program, and (2) by each of our stockholders that have indicated an interest in participating in this offering. See "Underwriting." Beneficial ownership representing less than 1% is denoted with an asterisk (*).

| Name of Beneficial Owner | Number of Shares Beneficially Owned | Percentage of Shares Beneficially Owned | |
|--------------------------------|--|--|----------------|
| | | Before Offering | After Offering |
| Officers and Directors | | | |
| Mark Pomeranz (1) | 329,144 | 2.65% | 1.98% |
| David Hochman (2)(4)(5)(6)(7) | 2,545,584 | 20.50% | 15.27% |
| Darren Sherman (3)(4)(5)(6)(7) | 2,545,584 | 20.50% | 15.27% |
| Gary Jacobs (8)(9) | 796,862 | 6.53% | 4.84% |
| Samuel Nussbaum (10) | - | * | * |
| Shervin Korangy (11) | - | * | * |
| Andrew Taylor (12) | - | * | * |

| | | | |
|--|-----------|--------|--------|
| Gary Pruden (13) | - | * | * |
| Directors and Officers as a Group (8 persons) | 3,674,590 | 28.53% | 21.45% |
| 5% Stockholders | | | |
| Ascent Biomedical Ventures II, L.P. (14) | 1,748,215 | 14.13% | 10.52% |
| Ascent Biomedical Ventures Synecor, L.P. (15) | 638,674 | 5.27% | 3.90% |
| ABV, LLC (14)(15) | 2,386,889 | 19.21% | 14.31% |
| Orchestra Medical Ventures II, L.P. (4) | 1,178,630 | 9.60% | 7.13% |
| Orchestra MOTUS Co-Investment Partners, LLC (5) | 1,229,104 | 10.07% | 7.47% |
| Orchestra Medical Ventures II GP, LLC (4)(5)(6) | 2,491,086 | 20.06% | 14.95% |
| Jacobs Investment Company LLC (9) | 792,762 | 6.50% | 4.82% |
| Perceptive Life Sciences Master Fund Ltd. (16) | 1,866,541 | 15.06% | 11.21% |
| Perceptive Advisors LLC (16) | 1,866,541 | 15.06% | 11.21% |
| E. Jeffrey Peierls (17)(18) | 677,889 | 5.51% | 4.10% |

* Less than 1%

1. Includes 329,003 shares of our common stock issuable upon the exercise of stock options that are exercisable within sixty days of September 30, 2017. Does not include 249,348 shares of our common stock issuable upon the exercise of stock options that are not exercisable within sixty days of September 30, 2017. Mr. Pomeranz has expressed an interest in purchasing up to \$50,000 of such shares of our common stock at the initial public offering price, which would be approximately 8,333 shares at the assumed initial public offering price of \$6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus). If any shares of common stock are purchased by Mr. Pomeranz, the number of shares beneficially owned and the percentage of common stock beneficially owned after the offering will differ from that set forth in the table above.
2. Does not include 175,000 shares of our common stock issuable upon the exercise of stock options that are not exercisable within sixty days of September 30, 2017. Mr. Hochman has expressed an interest in purchasing up to \$100,000 of such shares of our common stock at the initial public offering price, which would be approximately 16,667 shares at the assumed initial public offering price of \$6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus). If any shares of common stock are purchased by Mr. Hochman, the number of shares beneficially owned and the percentage of common stock beneficially owned after the offering will differ from that set forth in the table above.
3. Does not include 100,000 shares of our common stock issuable upon the exercise of stock options that are not exercisable within sixty days of September 30, 2017. Mr. Sherman has expressed an interest in purchasing up to \$25,000 of such shares of our common stock at the initial public offering price, which would be approximately 4,167 shares at the assumed initial public offering price of \$6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus). If any shares of common stock are purchased by Mr. Sherman, the number of shares beneficially owned and the percentage of common stock beneficially owned after the offering will differ from that set forth in the table above.
4. Includes (i) 970,044 shares of common stock (ii) 99,748 shares of common stock issuable upon the conversion of Series A Convertible Preferred Stock, which will occur upon the consummation of this offering, and (iii) 108,838 shares of common stock issuable upon exercise of Exchange Warrants, held by Orchestra Medical Ventures II, L.P. The managing members of Orchestra Medical Ventures II GP, LLC, David Hochman and Darren Sherman, exercise sole dispositive and voting power over the shares owned by Orchestra Medical Ventures II, L.P. Orchestra Medical Ventures II, L.P. has expressed an interest in purchasing up to \$225,000 of such shares of our common stock at the initial public offering price, which would be 37,500 shares at the assumed initial public offering price of \$6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus). If any shares of common stock are purchased by Orchestra Medical Ventures II, L.P., the number of shares beneficially owned and the percentage of common stock beneficially owned after the offering will differ from that set forth in the table above.
5. Includes (i) 1,094,930 shares of common stock (ii) 65,038 shares of common stock issuable upon the conversion of Series A Convertible Preferred Stock, which will occur upon the consummation of this offering, and (iii) 69,136 shares of common stock issuable upon exercise of Exchange Warrants, held by Orchestra MOTUS Co-Investment Partners, LLC. The managing members of Orchestra Medical Ventures II GP, LLC, David Hochman and Darren Sherman, exercise sole dispositive and voting power over the shares owned by Orchestra MOTUS Co-Investment Partners, LLC.
6. Includes (i) 83,352 shares of common stock held by Orchestra Medical Ventures II Reserve, L.P. The managing members of Orchestra Medical Ventures II GP, LLC, David Hochman and Darren Sherman, exercise sole dispositive and voting power over the shares owned by Orchestra Medical Ventures II Reserve, L.P.
7. Includes 51,498 shares of common stock held by Accelerated Technologies, Inc. David Hochman and Darren Sherman share dispositive and voting power over the shares owned by Accelerated Technologies, Inc.
8. Does not include 92,500 shares of our common stock issuable upon the exercise of stock options that are not exercisable within sixty days of September 30, 2017. Mr. Jacobs has expressed an interest in purchasing up to \$25,000 of such shares of our common stock at the initial public offering price, which would be approximately 4,167 shares at the assumed initial public offering price of \$6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus). If any shares of common stock are purchased by Mr. Jacobs, the number of shares beneficially owned and the percentage of common stock beneficially owned after the offering will differ from that set forth in the table above.

9. Includes (i) 660,567 shares of common stock (ii) 63,289 shares of common stock issuable upon the conversion of Series A Convertible Preferred Stock, which will occur upon the consummation of this offering, and (iii) 68,906 shares of common stock issuable upon exercise of Exchange Warrants, held by Jacobs Investment Company LLC. The managing member of Jacobs Investment Company LLC, Gary Jacobs, exercises sole dispositive and voting power over the shares owned by Jacobs Investment Company LLC.
10. Does not include 50,000 shares of our common stock issuable upon the exercise of stock options that are not exercisable within sixty days of September 30, 2017. Mr. Nussbaum has expressed an interest in purchasing up to \$50,000 of such shares of our common stock at the initial public offering price, which would be approximately 8,333 shares at the assumed initial public offering price of \$6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus). If any shares of common stock are purchased by Mr. Nussbaum, the number of shares beneficially owned and the percentage of common stock beneficially owned after the offering will differ from that set forth in the table above.
11. Does not include 65,000 shares of our common stock issuable upon the exercise of stock options that are not exercisable within sixty days of September 30, 2017. Mr. Korangy has expressed an interest in purchasing up to \$100,000 of such shares of our common stock at the initial public offering price, which would be approximately 16,667 shares at the assumed initial public offering price of \$6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus). If any shares of common stock are purchased by Mr. Korangy, the number of shares beneficially owned and the percentage of common stock beneficially owned after the offering will differ from that set forth in the table above.
12. Does not include 240,000 shares of our common stock issuable upon the exercise of stock options that are not exercisable within sixty days of September 30, 2017. Mr. Taylor has expressed an interest in purchasing up to \$25,000 of such shares of our common stock at the initial public offering price, which would be approximately 4,167 shares at the assumed initial public offering price of \$6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus). If any shares of common stock are purchased by Mr. Taylor, the number of shares beneficially owned and the percentage of common stock beneficially owned after the offering will differ from that set forth in the table above.
13. Mr. Pruden has expressed an interest in purchasing up to \$250,000 of such shares of our common stock at the initial public offering price, which would be approximately 41,667 shares at the assumed initial public offering price of \$6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus). If any shares of common stock are purchased by Mr. Pruden, the number of shares beneficially owned and the percentage of common stock beneficially owned after the offering will differ from that set forth in the table above.
14. Includes (i) 1,447,129 shares of common stock (ii) 144,352 shares of common stock issuable upon the conversion of Series A Convertible Preferred Stock, which will occur upon the consummation of this offering, and (iii) 156,734 shares of common stock issuable upon exercise of Exchange Warrants, held by Ascent Biomedical Ventures II, L.P. The managing members of ABV, LLC, Geoffrey W. Smith and Steve Hochberg, exercise sole dispositive and voting power over the shares owned by Ascent Biomedical Ventures II, L.P. The principal address for the entities affiliated with ABV, LLC is 60 East 42nd Street, New York, NY 10165.
15. Includes (i) 585,000 shares of common stock (ii) 26,241 shares of common stock issuable upon the conversion of Series A Convertible Preferred Stock, which will occur upon the consummation of this offering, and (iii) 27,433 shares of common stock issuable upon exercise of Exchange Warrants, held by Ascent Biomedical Ventures Synecor, L.P. The managing members of ABV, LLC, Geoffrey W. Smith and Steve Hochberg, exercise sole dispositive and voting power over the shares owned by Ascent Biomedical Ventures Synecor, L.P. The principal address for the entities affiliated with ABV, LLC is 60 East 42nd Street, New York, NY 10165.
16. Includes (i) 1,544,155 shares of common stock (ii) 256,386 shares of common stock issuable upon the conversion of Series A Convertible Preferred Stock, which will occur upon the consummation of this offering, and (iii) 66,000 shares of common stock issuable upon exercise of Exchange Warrants, held by Perceptive Life Sciences Master Fund Ltd. The managing member of Perceptive Advisors LLC, Mr. Joseph Edelman, exercises sole dispositive and voting power over the shares owned by Perceptive Life Sciences Master Fund Ltd. The principal address for the entities affiliated with Perceptive Advisors LLC is 51 Astor Place, 10th floor New York, NY 10003. Perceptive Life Sciences Master Fund Ltd. has expressed an interest in purchasing up to \$5.0 million of such shares of our common stock at the initial public offering price, which would be approximately 833,334 shares at the assumed initial public offering price of \$6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus). If any shares of common stock are purchased by Perceptive Life Sciences Master Fund Ltd., the number of shares beneficially owned and the percentage of common stock beneficially owned after the offering will differ from that set forth in the table above.
17. Includes (i) 50,542 shares of common stock (ii) 13,381 shares of common stock issuable upon the conversion of Series A Convertible Preferred Stock, which will occur upon the consummation of this offering, and (iii) 12,012 shares of common stock issuable upon exercise of Exchange Warrants, held by E. Jeffrey Peierls. The principal address for E. Jeffrey Peierls is 73 South Holman Way, Golden, CO 80401.
18. Includes (i) an aggregate of 400,185 shares of common stock (ii) an aggregate of 106,201 shares of common stock issuable upon the conversion of Series A Convertible Preferred Stock, which will occur upon the consummation of this offering, and (iii) 95,568 shares of common stock issuable upon exercise of Exchange Warrants, held by The Peierls Bypass Trust, UD E.F. Peierls for Brian E. Peierls, UD E.F. Peierls for E. Jeffrey Peierls, UD E.S. Peierls for E.F. Peierls et al, UD J.N. Peierls for Brian Eliot Peierls, UD J.N. Peierls for E. Jeffrey Peierls, UW E.S. Peierls for Brian E. Peierls - Accumulation, UW E.S. Peierls for E. Jeffrey Peierls - Accumulation, UW J.N. Peierls for Brian E. Peierls, UW J.N. Peierls for E. Jeffrey Peierls (collectively, the "Peierls Trusts") and The Peierls Foundation, Inc. and UD Ethel F. Peierls Charitable Lead Trust (collectively, the "Peierls Entities"). E. Jeffrey Peierls

exercises sole dispositive and voting power over the shares owned by the Peierls Trusts and the Peierls Entities. E. Jeffrey Peierls expressly disclaims beneficial ownership with respect to the shares owned by the Peierls Trusts and the Peierls Entities, as he has no pecuniary interest therein. The principal address for the Peierls Trusts is c/o The Northern Trust Company of Delaware, 1313 N. Market Street, Ste 5300, Wilmington, DE 19801. The principal address for the Peierls Entities is 73 South Holman Way, Golden, CO 80401. The Peierls Trusts and the Peierls Entities have expressed an interest in purchasing up to \$0.5 million of such shares of our common stock at the initial public offering price, which would be approximately 83,334 shares at the assumed initial public offering price of \$6.00 per share (the midpoint of the estimated price range set forth on the cover page of this prospectus). If any shares of common stock are purchased by the Peierls Trusts and the Peierls Entities, the number of shares beneficially owned and the percentage of common stock beneficially owned after the offering will differ from that set forth in the table above.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Other than compensation arrangements for our named executive officers and directors, we describe below each transaction or series of similar transactions, since January 1, 2014, to which we were a party or will be a party, in which:

- the amounts involved exceeded or will exceed the lesser of (i) \$120,000 or (ii) 1% of the average total assets of the Company at year end for the last two completed fiscal years; and
- any of our directors, executive officers, promoters or holders of more than 5% of our capital stock, or any member of the immediate family of the foregoing persons, had or will have a direct or indirect material interest.

Compensation arrangements for our named executive officers and directors are described in the section entitled “Executive Compensation.” Mark Pomeranz and David Hochman are our founders and, therefore, may be considered promoters, as that term is defined in Rule 405 of Regulation C of the Securities Act.

Voting Agreement

In connection with the Initial Closing of the 2017 Private Placement, the stockholders of Opco prior to the Share Exchange Transaction and the 2017 Private Placement (the “Opco Stockholders”) and our stockholders prior to the Share Exchange Transaction and the 2017 Private Placement (the “Formation Stockholders”), including Jacobs Investments Company LLC, an entity in which our director Gary Jacobs is the beneficial owner of the shares held by such entity, and Accelerated Technologies, Inc., Orchestra Medical Ventures II, L.P., Orchestra MOTUS Co-Investment Partners, LLC, and Orchestra Medical Ventures II GP, LLC, entities in which our directors David Hochman and Darren Sherman share beneficial ownership of the shares held by such entities, entered into a Voting Agreement (the “Voting Agreement”). Pursuant to the terms of the Voting Agreement, (i) the Opco Stockholders have the right to nominate four (4) members to our board of directors (the “Opco Stockholders’ Nominees”), currently Mark Pomeranz, David Hochman, Darren Sherman, and Gary Jacobs, (ii) the Formation Stockholders shall vote in favor of the election of the Opco Stockholders’ Nominees, (iii) the Formation Stockholders shall vote in favor of the election of the Placement Agent Nominee (defined below) to our board of directors, (iv) the Opco Stockholders shall vote in favor of the election of the Placement Agent Nominee and (v) the Opco Stockholders and the Formation Stockholders may vote in favor of up to two additional independent candidates to the board of directors acceptable to the Placement Agent Nominee and the Opco Stockholders’ Nominees, currently Shervin Korangy. The Voting Agreement will be of no further force or effect and will expire upon the completion of this offering.

Board of Directors Composition

Pursuant to the Voting Agreement described above, the Placement Agent has a right to appoint one member of our board of directors for a two-year term from the Initial Closing of the 2017 Private Placement (the “Placement Agent Nominee”). Dr. Samuel Nussbaum is currently the Placement Agent Nominee, and his successor, if any, would be chosen by the Placement Agent, subject to the reasonable approval of the Company and the terms of the Voting Agreement described above. However, the Voting Agreement will be of no further force or effect and will expire upon the completion of this offering.

Convertible Note, Convertible Warrant, and 2017 Private Placement - Related Party Participation

From August 2015 through November 2016, Orchestra Medical Ventures II, L.P., an affiliate of Orchestra Medical Ventures, LLC (an investment firm in which David Hochman, Chairman of the Board, and Darren Sherman, one of our Directors, serve as Managing Partners) purchased Convertible Notes in an aggregate principal amount of \$1,649,062. On December 22, 2016, Orchestra Medical Ventures II, L.P. exchanged its Convertible Notes, together with accrued and unpaid interest thereon calculated through December 22, 2016 at a rate of 10% per annum, for Units sold in the 2017 Private Placement at a price of \$4.50 per Unit resulting in the receipt of (i) 299,244 shares of our common stock and (ii) 99,748 shares of our Series A Convertible Preferred Stock. In addition, Orchestra Medical Ventures II, L.P. received five (5) year warrants to purchase an aggregate of 108,838 shares of our common stock at an exercise price of \$5.00 per share in an amount equal to thirty-three percent (33%) of the principal amount of such Convertible Note divided by \$5.00 (the “Exchange Warrants”).

In addition, from August 2015 through November 2016, Orchestra MOTUS Co-Investment Partners, LLC, an affiliate of Orchestra Medical Ventures, LLC (an investment firm in which David Hochman, Chairman of the Board, and Darren Sherman, one of our Directors, serve as Managing Partners) purchased Convertible Notes in an aggregate principal amount of \$1,047,511. On December 22, 2016, Orchestra MOTUS Co-Investment Partners, LLC exchanged its Convertible Notes, together with accrued and unpaid interest thereon calculated through December 22, 2016 at a rate of 10% per annum, for Units sold in the 2017 Private Placement at a price of \$4.50 per Unit resulting in the receipt of (i) 195,114 shares of our common stock and (ii) 65,038 shares of our Series A Convertible Preferred Stock. In addition, Orchestra MOTUS Co-Investment Partners, LLC received Exchange Warrants to purchase an aggregate of 69,136 shares of our common stock.

From June 2015 through November 2016, Jacobs Investment Company, LLC, an investment firm in which Gary Jacobs, one of our Directors, serves as Founder and Managing Director, purchased Convertible Notes in an aggregate principal amount of \$1,044,032. On December 22, 2016, Jacobs Investment Company, LLC exchanged its Convertible Notes, together with accrued and unpaid interest thereon calculated through December 22, 2016 at a rate of 10% per annum, for Units sold in the 2017 Private Placement at a price of \$4.50 per Unit resulting in the receipt of (i) 189,865 shares of our common stock and (ii) 63,289 shares of our Series A Convertible Preferred Stock. In addition, Jacobs Investment Company, LLC received Exchange Warrants to purchase an aggregate of 68,906 shares of our common stock.

From June 2015 through August 2016, Ascent Biomedical Ventures II, L.P., and from July 2015 through October 2015, Ascent Biomedical Ventures Synecor, L.P. (collectively, the “Ascent Entities”) purchased Convertible Notes in an aggregate principal amount of \$2,790,412 (the “Ascent Convertible Notes”). ABV, LLC, a beneficial owner of more than five percent of our common stock, is the

beneficial owner of the securities held by the Ascent Entities. On December 22, 2016, the Ascent Entities exchanged the Ascent Convertible Notes, together with accrued and unpaid interest thereon calculated through December 22, 2016 at a rate of 10% per annum, for Units sold in the 2017 Private Placement at a price of \$4.50 per Unit resulting in the receipt of (i) 511,776 shares of our common stock and (ii) 170,593 shares of our Series A Convertible Preferred Stock. In addition, the Ascent Entities received Exchange Warrants to purchase an aggregate of 184,167 shares of our common stock.

On October 27, 2016, Perceptive Life Sciences Master Fund Ltd., and on October 28, 2016, Titan Perc, Ltd. (collectively, the “Perceptive Entities”) purchased Convertible Notes in an aggregate principal amount of \$1,000,000 (the “Perceptive Convertible Notes”). Perceptive Advisors LLC, a beneficial owner of more than five percent of our common stock, is the beneficial owner of the securities held by the Perceptive Entities. On December 22, 2016, the Perceptive Entities exchanged the Perceptive Convertible Notes, together with accrued and unpaid interest thereon calculated through December 22, 2016 at a rate of 10% per annum, for Units sold in the 2017 Private Placement at a price of \$4.50 per Unit resulting in the receipt of (i) 169,155 shares of our common stock and (ii) 56,386 shares of our Series A Convertible Preferred Stock. In addition, the Perceptive Entities received Exchange Warrants to purchase an aggregate of 66,000 shares of our common stock. Additionally, the Perceptive entities purchased an aggregate of 800,000 Units in our 2017 Private Placement, at a purchase price of \$5.00 per Unit, comprised of an aggregate of (i) 600,000 shares of our common stock and (ii) 200,000 shares of our Series A Convertible Preferred Stock.

From January 2016 through November 2016 the Peierls Trusts and the Peierls Entities purchased Convertible Notes in an aggregate principal amount of \$1,448,000 (the “Peierls Convertible Notes”). E. Jeffrey Peierls, a beneficial owner of more than five percent of our common stock, is the beneficial owner of the securities held by the Peierls Trusts and the Peierls Entities. On December 22, 2016, the Peierls Trusts and the Peierls Entities exchanged the Peierls Convertible Notes, together with accrued and unpaid interest thereon calculated through December 22, 2016 at a rate of 10% per annum, for Units sold in the 2017 Private Placement at a price of \$4.50 per Unit resulting in the receipt of (i) 257,385 shares of our common stock and (ii) 85,801 shares of our Series A Convertible Preferred Stock. In addition, the Peierls Trusts and the Peierls Entities received Exchange Warrants to purchase an aggregate of 95,568 shares of our common stock. Additionally, the Peierls Trusts and the Peierls Entities purchased an aggregate of 100,000 Units in our 2017 Private Placement, at a purchase price of \$5.00 per Unit, comprised of an aggregate of (i) 75,000 shares of our common stock and (ii) 25,000 shares of our Series A Convertible Preferred Stock.

On October 27, 2016, AKS Family Partners, LP, a beneficial owner of more than five percent of our common stock prior to the Initial Closing, purchased a Convertible Note in an aggregate principal amount of \$250,000. On December 22, 2016, AKS Family Partners, LP exchanged its Convertible Note, together with accrued and unpaid interest thereon calculated through December 22, 2016 at a rate of 10% per annum, for Units sold in the 2017 Private Placement at a price of \$4.50 per Unit resulting in the receipt of (i) 42,290 shares of our common stock and (ii) 14,097 shares of our Series A Convertible Preferred Stock. In addition, AKS Family Partners, LP received Exchange Warrants to purchase an aggregate of 16,500 shares of our common stock. As a result of the Initial Closing, AKS Family Partners, LP was no longer a beneficial owner of more than five percent of our common stock.

Share Exchange Transaction

Effective on December 1, 2016, Opco, and the Opco Stockholders, entered into the Share Exchange Agreement with us. Pursuant to the terms of the Share Exchange Agreement, the Opco Stockholders sold to us, and we acquired, all of the issued and outstanding shares of capital stock of Opco and Opco became our wholly owned subsidiary.

At the closing of the Share Exchange Transaction, on December 22, 2016, (i) Orchestra Medical Ventures II, L.P. and Orchestra MOTUS Co-Investment Partners, LLC, both affiliates of Orchestra Medical Ventures, LLC (an investment firm in which David Hochman, Chairman of the Board, and Darren Sherman, one of our Directors, serve as Managing Partners) sold to us, and we acquired, all of the capital stock of Opco held by Orchestra Medical Ventures II, L.P. and Orchestra MOTUS Co-Investment Partners, LLC in exchange for 670,800 and 899,816 shares of our Common Stock, respectively, (ii) Jacobs Investment Company, LLC, an investment firm in which Gary Jacobs, one of our Directors, serves as Founder and Managing Director, sold to us, and we acquired, all of the capital stock of Opco held by Jacobs Investment Company, LLC in exchange for 474,802 shares of our Common Stock, and (iii) ABV, LLC, a beneficial owner of more than five percent of our common stock, through the Ascent Entities, sold to us, and we acquired, all of the capital stock of Opco held by the Ascent Entities in exchange for an aggregate of 1,520,353 shares of our Common Stock.

See “Prospectus Summary – Formation of Holdings – The Share Exchange Transaction” for a description of the Share Exchange Transaction and the terms of the Share Exchange Agreement.

Ten Percent Warrants - Related Party Participation

Upon the completion of this offering, we will issue warrants to certain of our Series A Convertible Preferred Stock holders, pursuant to an amendment to our Registration Rights Agreement and an amendment to the Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock, to purchase an aggregate of 1,095,682 shares of our common stock (the “Ten Percent Warrants”), including (i) Ten Percent Warrants to purchase 300 shares of our common stock to David Hochman, the Chairman of our Board, (ii) Ten Percent Warrants to purchase 300 shares of our common stock to Darren Sherman, one of our directors, (iii) Ten Percent Warrants to purchase an aggregate of 220,274 shares of our common stock to the Ascent Entities, beneficial owners of more than five percent of our common stock, (iv) Ten Percent Warrants to purchase 106,980 shares of our common stock to Orchestra Medical Ventures II, L.P., a beneficial owner of more than five percent of our common stock, (v) Ten Percent Warrants to purchase 115,997 shares of our common stock to Orchestra MOTUS Co-Investment Partners, LLC, a beneficial owner of more than five percent of our common stock, (vi) Ten Percent Warrants to purchase 72,386 shares of our common stock to Jacobs Investment Company, an investment firm in which Gary Jacobs, one of our Directors, serves as Founder and Managing Director, (vii) Ten Percent Warrants to purchase 180,055 shares of our common stock to Perceptive Life Sciences Master Fund Ltd., a beneficial owner of more than five percent of our common stock, (viii) Ten Percent Warrants to purchase an aggregate of 57,035 shares of our common stock to E. Jeffrey Peierls, including the Peierls Trusts and the Peierls Entities, a beneficial owner of more than five percent of our common stock. The Ten Percent Warrants are exercisable for our common stock at an exercise price equal to the public offering price per share in this offering. The Ten Percent Warrants are exercisable any time on or after the 180 day anniversary of the completion of this offering, have a five year term, and provide for cashless exercise. No fractional shares will be issued upon the exercise of the Ten Percent Warrants.

Sales and Marketing Services Arrangement with FreeHold Surgical, Inc.

In August, 2017, we began paying a monthly fee to FreeHold Surgical, Inc., or FreeHold, an entity in which Darren Sherman, one of our Directors, serves as a Director and President. Pursuant to the fee arrangement, we pay FreeHold a monthly amount of approximately \$20,000 as all-in compensation for sales and marketing services performed for us, on a part time basis, by two Freehold sales representatives.

Participation in this Offering

In addition to the shares reserved for the directed share program described below, all of our directors and executive officers, and certain of our existing stockholders, including stockholders affiliated with certain of our directors, have indicated an interest in purchasing up to an aggregate of approximately \$7.5 million in shares of our common stock in this offering at the initial public offering price, including (i) Perceptive Life Sciences Master Fund Ltd., which has indicated an interest in purchasing up to \$5.0 million of such shares of our common stock at the initial public offering price, (ii) the Peierls Trusts (as defined below) and the Peierls Entities (as defined below), which have indicated an interest in collectively purchasing up to \$0.5 million of such shares of our common stock at the initial public offering price, (iii) Orchestra Medical Ventures II, L.P., which has indicated an interest in purchasing up to \$225,000 of such shares of our common stock at the initial public offering price, (iv) Gary Pruden, who has indicated an interest in purchasing up to \$250,000 of such shares of our common stock at the initial public offering price, (v) David Hochman, who has indicated an interest in purchasing up to \$100,000 of such shares of our common stock at the initial public offering price, (vi) Shervin Korangy, who has indicated an interest in purchasing up to \$100,000 of such shares of our common stock at the initial public offering price, (vii) Mark Pomeranz, who has indicated an interest in purchasing up to \$50,000 of such shares of our common stock at the initial public offering price, (viii) Samuel Nussbaum, who has indicated an interest in purchasing up to \$50,000 of such shares of our common stock at the initial public offering price, (ix) Darren Sherman, who has indicated an interest in purchasing up to \$25,000 of such shares of our common stock at the initial offering price, (x) Gary Jacobs, who has indicated an interest in purchasing up to \$25,000 of such shares of our common stock at the initial offering price, and (xi) Andrew Taylor, who has indicated an interest in purchasing up to \$25,000 of such shares of our common stock at the initial offering price. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters could determine to sell more, less or no shares to any of these potential investors and any of these potential investors could determine to purchase more, less or no shares in this offering.

Directed Share Program

At our request, the underwriters have reserved for sale at the initial public offering price up to 212,500 shares of common stock, or five percent (5%) of the shares offered by this prospectus, for our employees and other persons associated with us. The number of shares of common stock available for sale to the general public in the offering will be reduced by the number of shares sold pursuant to the directed share program. Any directed shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus. The directed share program will be arranged through Piper Jaffray & Co.

Indemnification Agreements

In 2017 we entered into indemnification agreements with all of our directors and named executive officers. For more information, see the description of the indemnification agreements under “Management and Board of Directors - Limitation of Directors Liability and Indemnification.”

Policies and Procedures for Related Party Transactions

Our board of directors has adopted a policy that our executive officers, directors, nominees for election as a director, beneficial owners of more than 5% of any class of our common stock, any members of the immediate family of any of the foregoing persons and any firms, corporations or other entities in which any of the foregoing persons is employed or is a partner or principal or in a similar position or

in which such person has a 5% or greater beneficial ownership interest (collectively “related parties”), are not permitted to enter into a transaction with us without the prior consent of our board of directors acting through the Audit Committee or, in certain circumstances, the chairman of the Audit Committee. Any request for us to enter into a transaction with a related party, in which the amount involved exceeds \$100,000 and such related party would have a direct or indirect interest must first be presented to our Audit Committee, or in certain circumstances the chairman of our Audit Committee, for review, consideration and approval. In approving or rejecting any such proposal, our Audit Committee, or the chairman of our Audit Committee, is to consider the material facts of the transaction, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances, the extent of the benefits to us, the availability of other sources of comparable products or services and the extent of the related party’s interest in the transaction.

DESCRIPTION OF SECURITIES

Our current certificate of incorporation, as amended, authorizes us to issue:

- 50,000,000 shares of common stock, par value \$0.0001 per share; and
- 10,000,000 shares of preferred stock, par value \$0.0001 per share.

As of September 30, 2017 there were 10,491,844 shares of our common stock outstanding, and 1,581,128 shares of our Series A Convertible Preferred Stock outstanding (all of which will be converted into shares of our common stock upon the consummation of this offering), held of record by approximately 292 stockholders.

The following statements are summaries only of provisions of our authorized capital stock and are qualified in their entirety by our certificate of incorporation, as amended. You should review these documents for a description of the rights, restrictions and obligations relating to our capital stock. Copies of our certificate of incorporation may be obtained from the Company upon written request.

Common stock

Voting. The holders of our common stock are entitled to one vote for each share held of record on all matters on which the holders are entitled to vote (or consent to). When a quorum is present at any meeting of stockholders, any matter before any such meeting (other than an election of a director or directors) shall be decided by a majority of the votes properly cast on such matter, except where a different vote is required by law, by the rules or regulations of any stock exchange applicable to us, or pursuant to any regulation applicable to us or our securities, in which case, such different vote shall apply. A majority in voting power of the shares entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum at any meeting of stockholders.

Dividends. The holders of our common stock are entitled to receive, ratably, dividends only if, when and as declared by our board of directors out of funds legally available therefor and after provision is made for each class of capital stock having preference over our common stock.

Liquidation Rights. In the event of our liquidation, dissolution or winding-up, the holders of our common stock are entitled to share, ratably, in all assets remaining available for distribution after payment of all liabilities and after provision is made for each class of capital stock having preference over our common stock.

Conversion Rights. The holders of our common stock have no conversion rights.

Preemptive and Similar Rights. The holders of our common stock have no preemptive or similar rights.

Redemption/Put Rights. There are no redemption or sinking fund provisions applicable to our common stock. All of the outstanding shares of our common stock are fully-paid and non-assessable.

Transfer Restrictions. Shares of our common stock are subject to transfer restrictions. Holders of our common stock may not transfer their securities unless (a) a registration statement is in effect under the Securities Act covering the proposed transfer and such transfer is made in accordance with such registration statement or (b) the securities are transferred in a transaction exempt from the registration requirements of the Securities Act and any related requirements imposed by applicable state securities laws. In the case of any transfer permitted under clause (b), the holder must notify us in writing of the proposed transfer and furnish us with an opinion of counsel, reasonably satisfactory to us, that the transfer will not require registration under the Securities Act or any applicable state securities laws. Each certificate representing a security contains a legend referring to this restriction on transfer and any legends required by state securities laws. The securities are also subject to other restrictions on transfer as provided in the Registration Rights Agreement, described below.

Preferred Stock

Upon the consummation of this offering, all outstanding shares of our Series A Convertible Preferred Stock will be converted into shares of our common stock. We are authorized to issue up to 10,000,000 shares of “blank check” preferred stock, par value \$0.0001 per share, with such designations, rights, and preferences as may be determined from time to time by our board of directors. Accordingly, our board of directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting, or other rights that could adversely affect the voting power or other rights of the holders of our common stock. The issuance of preferred stock could have the effect of restricting dividends on our common stock, diluting the voting power of our common stock, impairing the liquidation rights of our common stock, or delaying or preventing a change in control of our company.

In connection with the 2017 Private Placement, our board of directors created out of the authorized and unissued shares of our preferred stock, a series of preferred stock comprised of up to 2,000,000 shares of Series A Convertible Preferred Stock, of which 1,581,128 are currently issued and outstanding, however upon the consummation of this offering, all such issued and outstanding shares will be converted into shares of our common stock, no shares of preferred stock will remain outstanding, and we have no present plan to issue any new shares of preferred stock.

Rank. The Series A Convertible Preferred Stock rank above all other classes of stock outstanding as of the date hereof with respect to dividend rights and liquidation preferences.

Liquidation. Upon any dissolution, liquidation or winding up, whether voluntary or involuntary, holders of Series A Convertible Preferred Stock are entitled to (i) first receive distributions out of our assets in an amount per share equal to \$5.00 (the “Stated Value”), whether capital or surplus before any distributions shall be made on any shares of our common stock and (ii) second, on an as-converted basis alongside our common stock.

Conversion. Upon the earlier of (i) the Mandatory Conversion Date, without any action on the part of the holder, or (ii) notice by the Company to the Holders that the Company has elected to convert all outstanding Series A Convertible Preferred Stock (each of the foregoing, a “Mandatory Conversion Date”), all of the outstanding shares of Series A Convertible Preferred Stock will automatically convert to shares of our common stock (a “Mandatory Conversion”). In addition, each share of Series A Convertible Preferred Stock shall be convertible, at any time and from time to time at the option of the holder thereof, and without the payment of additional consideration by the holder thereof, into that number of shares of our common stock determined by dividing the Stated Value of such Series A Convertible Preferred Stock by the conversion price. The conversion price initially is \$5.00 per share of common stock and is subject to adjustment described below.

Conversion Price Adjustment:

Stock Dividends and Stock Splits. If we pay a stock dividend or otherwise make a distribution payable in shares of our common stock on shares of our common stock or any other common stock equivalents, subdivide or combine outstanding common stock, or reclassify common stock, the conversion price will be adjusted by multiplying the then conversion price by a fraction, the numerator of which shall be the number of shares of our common stock outstanding immediately before such event, and the denominator of which shall be the number of shares outstanding immediately after such event.

Fundamental Transaction. If we effect a fundamental transaction, then upon any subsequent conversion of Series A Convertible Preferred Stock, the holder thereof shall have the right to receive, for each share of our common stock that would have been issuable upon such conversion immediately prior to the occurrence of such fundamental transaction, the number of shares of the successor’s or acquiring corporation’s common stock or of our common stock, if we are the surviving corporation, and any additional consideration receivable as a result of such fundamental transaction by a holder of the number of shares of our common stock into which Series A Convertible Preferred Stock is convertible immediately prior to such fundamental transaction. A fundamental transaction means: (i) our merger or consolidation with or into another entity, (ii) any sale of all or substantially all of our assets in one transaction or a series of related transactions, or (iii) any reclassification of our common stock or any compulsory share exchange by which our common stock is effectively converted into or exchanged for other securities, cash or property.

Voting Rights. Except as otherwise provided in the Certificate of Designations or required by law, Series A Convertible Preferred Stock shall have no class voting rights. The Certificate of Designations provides that each share of Series A Convertible Preferred Stock will entitle its holder to vote with the common stock on an as-if-converted to shares of our common stock basis. Notwithstanding certain protections in the Certificate of Designations, Delaware law also provides holders of preferred stock with certain rights. The holders of the outstanding shares of Series A Convertible Preferred Stock generally will be entitled to vote as a class upon a proposed amendment to our certificate of incorporation if the amendment would:

- increase or decrease the aggregate number of authorized shares of our Series A Convertible Preferred Stock;
- increase or decrease the par value of the shares of our Series A Convertible Preferred Stock; or
- alter or change the powers, preferences, or special rights of the shares of our Series A Convertible Preferred Stock so as to affect them adversely.

Fractional Shares. No fractional shares of our common stock will be issued upon conversion of Series A Convertible Preferred Stock. Rather, we shall round up to the next whole share.

Royalty Payment Rights:

Royalties. If and when the Company generates sales of the current and potential future versions of the Pure-Vu system, including disposables, parts, and services, or if the Company receives any proceeds from the licensing of the current and potential future versions of the Pure-Vu system, then Company will pay to the holders of our Series A Convertible Preferred Stock (the “Holders”) with the allocation of such Royalty Payment Rights between Holders determined as set forth below under “Allocation of Royalty Payments”, a royalty (the “Royalty Amount”) equal to, in the aggregate, in royalty payments in any calendar year for all products:

| | |
|--|---|
| <p><u>The Company Commercializes Product Directly</u></p> <p>3% of Net Sales*</p> | <p><u>The Rights to Commercialize the Product is Sublicensed by the Company to a third-party</u></p> <p>5% of any Licensing Proceeds**</p> |
|--|---|

* Notwithstanding the foregoing, with respect to Net Sales based Royalty Amounts, (a) no Net Sales based Royalty Amount shall begin to accrue or become payable until the Company has first generated, in the aggregate, since its inception, Net Sales equal to \$20 million (the “Initial Net Sales Milestone”), and royalties shall only be computed on, and due with respect to, Net Sales generated in excess of the Initial Net Sales Milestone, and (b) the total Net Sales based Royalty Amount due and payable in any calendar year shall be subject to a cap per calendar year of \$30 million. Net Sales is defined in the Certificate of Designations.

** Notwithstanding the foregoing, with respect to Licensing Proceeds based Royalty Amounts, (a) no Licensing Proceeds based Royalty Amount shall begin to accrue or become payable until the Company has first generated, in the aggregate, since its inception, Licensing Proceeds equal to \$3.5 million (the “Initial Licensing Proceeds Milestone”), and royalties shall only be computed on, and due with respect to, Licensing Proceeds in excess of the Initial Licensing Proceeds Milestone and (b) the total Licensing Proceeds based Royalty Amount due and payable in any calendar year shall be subject to a cap per calendar year of \$30 million. Licensing Proceeds is defined in the Certificate of Designations.

The Company currently has not licensed any of its products to any third-party and is not in negotiations with respect to any such license. There is no guarantee that the Company will ever generate sales of, or Licensing Proceeds from, its products. The Holders may never receive any royalty payments and these Royalty Payment Rights may expire worthless.

Timing of Royalty Payments. With respect to Products that the Company commercializes directly, royalty payments, if any, will be paid annually 15 business days after the issuance of the Company’s audited financial statements for the prior year in which such Net Sales were generated by the Company; for the avoidance of doubt, such payments shall begin only upon achievement of the Initial Net Sales Milestone without regard to whether the Initial Licensing Proceeds Milestone has been met. With respect to Products that the Company sublicenses or otherwise disposes of to a third-party, royalty payments, if any, will be paid 10 business days after the end of the applicable quarter in which such Licensing Proceeds are received by the Company; for the avoidance of doubt, such payments shall begin only upon achievement of the Initial Licensing Proceeds Milestone without regard to whether the Initial Net Sales Milestone has been met.

The royalty will be payable up to the later of (i) the latest expiration date for the Company’s current patents (which is currently October 2026), or (ii) the latest expiration date of any pending patents as of the date of the Initial Closing that may be issued in the future. Following the expiration of all such patents, the Holders of the Royalty Payment Rights will no longer be entitled to any further royalties for any period following the latest to occur of such patent expiration.

Royalty Vesting. The Royalty Payment Rights associated with the shares of Series A Convertible Preferred Stock were immediately vested upon issuance of the shares.

If a Holder elects to convert all of his Series A Convertible Preferred Stock into shares of our common stock prior to the Mandatory Conversion Date, the Holder will forfeit any and all rights to future Royalty Payments, if any. If a Holder elects to convert any portion of his Series A Convertible Preferred Stock to common stock at any time prior to the Mandatory Conversion Date, such Holder will forfeit any rights to future Royalty Payments, if any, with respect to such converted shares.

Prior to the Mandatory Conversion Date, the right to receive a royalty will follow the Series A Convertible Preferred Stock. In the event that an investor transfers any of its Series A Convertible Preferred Stock prior to the Mandatory Conversion Date, the transferee of such shares will thereafter have the right to receive any and all royalty payments related to the Series A Convertible Preferred Stock it received, including with respect to royalty rights, and the transferring investor will thereafter no longer have any right to receive any royalty payment in respect of the Series A Convertible Preferred Stock it transferred.

Allocation of Royalty Payment. Once the aggregate Royalty Payment Amount is calculated based on the criteria set forth above under “Royalties,” that amount will be allocated to the holders of the Participating Royalty Interests (as defined in the Certificate of Designations) based on their pro rata ownership. An investor’s initial pro-rata ownership will be the investor’s number of Series A Convertible Preferred Stock as a percentage of the total number of such Shares issued in the 2017 Private Placement. The royalty payable to each holder shall be calculated as follows:

(i) Prior to the Mandatory Conversion Date, the royalty payable to each holder will be equal to the aggregate Royalty Payment Amount divided by the aggregate Participating Royalty Interests on the applicable record date multiplied by the number of Participating Royalty Interests held by such holder the applicable record date.

(ii) On or after the Mandatory Conversion Date, the Royalty payable to each holder will be calculated by multiplying the aggregate Royalty Payment Amount by the percentage set forth in each holder’s Royalty Payment Rights certificate. The percentage set forth in each Royalty Payment Rights certificate will be calculated as follows:

$$\frac{\text{Number of Participating Royalty Interests Held by Investor after the Mandatory Conversion Date}}{\text{Total Participating Royalty Interests after the Mandatory Conversion Date}}$$

Separability. The Royalty Payment Rights may not be transferred separately from the Series A Convertible Preferred Stock until after the Mandatory Conversion Date. Prior to the Mandatory Conversion Date, if a Holder transfers any of its Series A Convertible Preferred Stock, such Holder will lose any and all rights to any future royalty payments with respect to Series A Convertible Preferred Stock that were transferred. Following the Mandatory Conversion Date, the Company will issue a certificate representing the Royalty Payment Rights to each Holder of Series A Convertible Preferred Stock at such date (the “Royalty Payment Rights Certificate”). Following the issuance of the Royalty Payment Rights Certificate, such Royalty Payment Rights may be transferred, subject to the availability of an exemption from registration under applicable state and federal securities laws.

Unsecured Obligations. The Royalty Payment Rights are unsecured obligations of the Company.

Royalty Payment Rights Certificates

Upon the consummation of this offering, all outstanding shares of our Series A Convertible Preferred Stock will be converted into shares of our common stock, pursuant to a Mandatory Conversion, as described in “*Preferred Stock – Conversion*” above. At such time we will issue the Royalty Payment Rights Certificates, as described in “*Preferred Stock – Separability*” above, on the terms as described above, to each former holder of our Series A Convertible Preferred Stock. Such Royalty Payment Rights Certificates may be transferred, subject to the availability of an exemption from registration under applicable state and federal securities laws.

Placement Agent Royalty Payment Rights

In connection with completion of the 2017 Private Placement, we issued the Placement Agent royalty payment rights certificates (the “Placement Agent Royalty Payment Rights Certificates”) to receive, in the aggregate, 10% of the amount of payments paid to the holders of the Series A Convertible Preferred Stock, or the holders of the Royalty Payment Rights Certificates, upon the conversion of the Series A Convertible Preferred Stock into shares of our common stock. The Placement Agent Royalty Payment Rights Certificates are on substantially similar terms as the Royalty Payment Rights of the Series A Convertible Preferred Stock.

Warrants

Exchange Warrants. In connection with the Share Exchange Transaction and the CNA, we issued warrants to each former Convertible Holder to purchase an aggregate 907,237 shares of our common stock (the “Exchange Warrants”). The Exchange Warrants are exercisable for our common stock at an exercise price equal to \$5.00 per share (the “Exercise Price”). The Exchange Warrants are exercisable immediately upon issuance and have a five year term, and provide for cashless exercise. The Exchange Warrants may be exercised at any time in whole or in part at the applicable exercise price until expiration of the Exchange Warrants. No fractional shares will be issued upon the exercise of the Exchange Warrants.

Placement Agent Warrants. In connection with completion of the 2017 Private Placement, we issued the placement agent, and its designees, warrants to purchase 403,632 shares of our common stock at an exercise price of \$5.00 as partial compensation (the “Placement Agent Warrants”). These warrants have a five year term and provide cashless exercise.

Service Provider Warrants. As partial compensation, we issued a service provider warrants to purchase 30,000 shares of our common stock at an exercise price of \$8.00. These warrants have a five year term and do not provide for cashless exercise.

Ten Percent Warrants. Upon the completion of this offering, we will issue warrants to certain of our Series A Convertible Preferred Stock holders, pursuant to an amendment to our Registration Rights Agreement and an amendment to the Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock, to purchase 1,095,682 shares of our common stock (the “Ten Percent Warrants”). The Ten Percent Warrants are exercisable for our common stock at an exercise price equal to the public offering price per share in this offering. The Ten Percent Warrants are exercisable any time on or after the 180 day anniversary of the completion of this offering, have a five year term, and provide for cashless exercise. No fractional shares will be issued upon the exercise of the Ten Percent Warrants.

Registration Rights

In connection with the 2017 Private Placement, we entered into a registration rights agreement (the “Registration Rights Agreement”) with the 2017 Private Placement investors, (the “Investors”). Pursuant to the Registration Rights Agreement, we may be required to file with the SEC, 225 days after the completion of this offering, a registration statement (the “Resale Registration Statement”) covering the resale of the shares of our common stock held by the Investors (the “Investor Shares”) issued in the 2017 Private Placement, as well as the shares of our common stock underlying the Series A Convertible Preferred Stock (all of which will be converted into shares of our common stock upon the consummation of this offering) issued in the 2017 Private Placement (together with the Investor Shares, the “Registrable Securities”).

If declared effective, we are also required to keep the Resale Registration Statement “evergreen” for one (1) year from the date it is declared effective by the SEC or until Rule 144 of the Securities Act is available to the holders of Registrable Securities purchased in the 2017 Private Placement with respect to all of their shares, whichever is earlier.

We must pay all costs and expenses incurred by us in complying with our obligations to file the Resale Registration Statement pursuant to the Registration Rights Agreement, except that the selling holders will be responsible for their shares of the attorney’s fees and expenses and any commissions or other compensation to selling agents and similar persons; provided, however, that, in any registration, each party will pay for its own underwriting discounts and commissions and transfer taxes.

Lock-Up Agreements

Each of our directors and officers and the holders of substantially all of five percent (5%) or more of our common stock have agreed that they will not (a) offer, sell, contract to sell, grant any option to purchase, hypothecate, pledge or otherwise dispose of or (b) transfer title to any shares of our common stock acquired prior to the 2017 Private Placement, which includes any shares of our common stock acquired upon the exercise of any warrants acquired prior to the 2017 Private Placement, for a period beginning on December 22, 2016 and ending twelve (12) months following the effective date of the registration statement of which this prospectus is a part, without our prior written consent and the prior written consent of the Placement Agent.

In connection with the formation of Motus GI Holdings, Inc. in September 2016, certain affiliates of the Placement Agent and certain other parties not affiliated with us or the Placement Agent subscribed for an aggregate of 1,650,000 shares of our common stock (the “Formation Shares”), for which they paid an aggregate of \$82,500 (\$0.05 per share). Each of the holders of the Formation Shares have agreed that they will not (a) offer, sell, contract to sell, grant any option to purchase, hypothecate, pledge or otherwise dispose of or (b) transfer title to any shares of our common stock acquired prior to the 2017 Private Placement, which includes any shares of our common stock acquired upon the exercise of any warrants acquired prior to the 2017 Private Placement, for a period beginning on December 22, 2016 and ending twelve (12) months following the effective date of the registration statement of which this prospectus is a part, without our prior written consent and the prior written consent of the Placement Agent.

In March 2017, the Company signed a consulting service agreement by which it granted the service provider 90,000 shares of the Company’s common stock (the “Consultant Shares”) for past services provided. The consultant has agreed that they will not (a) offer, pledge, sell, contract to sell, grant any option or contract to purchase, purchase any option or contract to sell, or otherwise dispose of, directly or indirectly, or (b) transfer title to any of the subject shares, for a period beginning the effective date of the consulting agreement and ending: (i) with respect to 22,500 of the Consultant Shares, upon the nine (9) month anniversary of the signing of the consulting agreement, (ii) with respect to 22,500 of the Consultant Shares, upon the six (6) month anniversary from the effective date of the registration statement of which this prospectus is a part, and (iii) with respect to 45,000 of the Consultant Shares, upon the twelve month anniversary from the effective date of the registration statement of which this prospectus is a part, without the prior written consent of the Company.

Our officers and directors and the holders of substantially all of our outstanding shares of capital stock have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock (except for shares of Common Stock acquired in this offering or in the open market subsequent to this offering) for a period through the date 180 days after the date of this prospectus, except with the prior written consent of Piper Jaffray & Co., as the representatives of the underwriters. The representatives may in their sole discretion and at any time without notice release some or all of the shares subject to lock-up agreements prior to the expiration of the 180-day period. When determining whether or not to release shares from the lock-up agreements, the representatives may consider, among other factors, the stockholder’s reasons for requesting the release, the number of shares for which the release is being requested and market conditions at the time.

Transfer Agent and Registrar

Continental Stock Transfer and Trust, located at 1 State Street 30th Floor, New York, NY 10004, is the transfer agent and registrar for our common stock and preferred stock.

Quotation of Securities

Shares of our common stock will be listed on the Nasdaq Capital Market under the trading symbol “**MOTS**”.

Anti-Takeover Effect of Delaware Law, Certain Charter and Bylaw Provisions

Our certificate of incorporation and bylaws contain provisions that could have the effect of discouraging potential acquisition proposals or tender offers or delaying or preventing a change of control of our company. These provisions are as follows:

- they provide that special meetings of stockholders may be called by the board of directors or at the request in writing by stockholders of record owning at least twenty (20%) percent of the issued and outstanding voting shares of our common stock;
- they do not include a provision for cumulative voting in the election of directors. Under cumulative voting, a minority stockholder holding a sufficient number of shares may be able to ensure the election of one or more directors. The absence of cumulative voting may have the effect of limiting the ability of minority stockholders to effect changes in our board of directors; and
- they allow us to issue, without stockholder approval, up to 10,000,000 shares of preferred stock that could adversely affect the rights and powers of the holders of our common stock.

We are subject to the provisions of Section 203 of the General Corporation Law of the State of Delaware, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in the following prescribed manner:

- prior to the time of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the stockholder owned at least eighty-five percent (85%) of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding; (1) shares owned by persons who are directors and also officers and (2) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; and
- on or subsequent to the time of the transaction, the business combination is approved by the board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least sixty-six and two-thirds percent (66 2/3%) of the outstanding voting stock which is not owned by the interested stockholder.

Generally, for purposes of Section 203, a “business combination” includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. An “interested stockholder” is a person who, together with affiliates and associates, owns or, within three (3) years prior to the determination of interested stockholder status, owned fifteen percent (15%) or more of a corporation’s outstanding voting securities.

Choice of Forum

Our certificate of incorporation, as amended, provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us, or any of our officers or Directors, arising pursuant to the Delaware General Corporation Law, our certificate of incorporation, as amended, or our bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. This exclusive forum provision may limit the ability of our stockholders to bring a claim in a judicial forum that such stockholders find favorable for the disputes listed above, which may discourage such lawsuits against us, or any of our officers or directors.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common stock, and a liquid trading market for our common stock may not develop or be sustained after this offering. Future sales of substantial amounts of our common stock in the public market, or the perception that such sales could occur, could adversely affect market prices prevailing from time to time and could impair our ability to raise capital through the sale of our equity securities. Furthermore, because only a limited number of shares will be available for sale shortly after this offering due to existing contractual and legal restrictions on resale as described below, there may be sales of substantial amounts of our common stock in the public market after the restrictions lapse. This may adversely affect the prevailing market price and our ability to raise equity capital in the future. Although we have applied to have our common stock approved for listing on the Nasdaq Capital Market under the symbol "MOTS," we cannot assure you that there will be an active public market for our common stock.

Based on the number of shares outstanding as of September 30, 2017, upon completion of this offering, 16,322,972 shares of common stock will be outstanding. Of the shares to be outstanding immediately after the completion of this offering, the 4,250,000 shares of common stock to be sold in this offering will be freely tradable without restriction under the Securities Act unless purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act.

The remaining 12,072,972 shares of common stock will be "restricted securities" under Rule 144. This amount assumes the conversion of all outstanding shares of our Series A Convertible Preferred Stock into shares of our common stock, which will occur upon the consummation of this offering.

Subject to the lock-up agreements described below and the provisions of Rule 144 and 701 under the Securities Act, these restricted securities will be available for sale in the public market as follows:

| Date Available for Sale | Shares Eligible for Sale | Description |
|-----------------------------------|---------------------------------|---|
| Date of Prospectus | 4,250,000 | Shares sold in the offering that are not subject to a lock-up |
| 90 Days after Date of Prospectus | 4,640,155 | Shares saleable under Rules 144 and 701 that are not subject to a lock-up |
| 180 Days after Date of Prospectus | 10,980,235 | Lock-up released; shares saleable under Rules 144 and 701 |

In addition:

- of the 1,836,845 shares of our common stock that were issuable upon the exercise of stock options outstanding as of September 30, 2017, options to purchase 598,951 shares of common stock were exercisable as of that date, and upon exercise these shares will be eligible for sale subject to the lock-up agreements described below and Rules 144 and 701 under the Securities Act;
- all 1,340,869 shares of our common stock that are issuable upon the exercise of warrants outstanding as of September 30, 2017 are currently exercisable, and upon exercise these shares will be eligible for sale subject to the lock-up agreements described below and Rule 144 under the Securities Act; and
- all 1,095,682 shares of our common stock that are issuable upon the exercise of the Ten Percent Warrants, which will be issued upon completion of this offering will be eligible for sale any time on or after the 180 day anniversary of the completion of this offering, subject to Rule 144 under the Securities Act.

Rule 144

In general, under Rule 144 as currently in effect, once we have been subject to the reporting requirements under the Exchange Act for at least 90 days, a person (or persons whose shares are aggregated) who is not deemed to have been an affiliate of ours at any time during the three months preceding a sale, and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months, would be entitled to sell those shares, subject only to the availability of current public information about us. A non-affiliated person who has beneficially owned restricted securities within the meaning of Rule 144 for at least one year would be entitled to sell those shares without regard to the provisions of Rule 144.

An affiliate of ours who has beneficially owned restricted shares of our common stock for at least one year (or six months, provided that such sale occurs after we have been subject to the reporting requirements under the Exchange Act for at least 90 days) would be entitled to sell, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of shares of our common stock then outstanding; or
- the average weekly trading volume of shares of our common stock on the Nasdaq Capital Market during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to manner of sale provisions, notice requirements and the availability of current public information about us.

Rule 701

In general, under Rule 701 as currently in effect, any of our employees, directors, officers, consultants or advisors who acquired common stock from us in connection with a written compensatory stock or option plan or other written agreement in compliance with Rule 701 under the Securities Act before the effective date of a registration statement is entitled to rely on Rule 701 to resell such shares in reliance on Rule 144. An affiliate of the issuer can resell shares in reliance on Rule 144 without having to comply with the holding period requirements of Rule 144, and a non-affiliate of the issuer can resell shares in reliance on Rule 144 without having to comply with the holding period requirements of Rule 144 and without regard to the volume of such sales or the availability of public information about the issuer. However, substantially all Rule 701 shares are subject to lock-up agreements as described below and under the section entitled "Underwriting" and will become eligible for sale upon the expiration of the restrictions set forth in those agreements.

Lock-up Agreements

Each of our directors and officers and the holders of substantially all of five percent (5%) or more of our common stock have agreed that they will not (a) offer, sell, contract to sell, grant any option to purchase, hypothecate, pledge or otherwise dispose of or (b) transfer title to any shares of our common stock acquired prior to the 2017 Private Placement, which includes any shares of our common stock acquired upon the exercise of any warrants acquired prior to the 2017 Private Placement, for a period beginning on December 22, 2016 and ending twelve (12) months following the effective date of the registration statement of which this prospectus is a part, without our prior written consent and the prior written consent of the Placement Agent.

In connection with the formation of Motus GI Holdings, Inc. in September, 2015, certain affiliates of the Placement Agent and certain other parties not affiliated with us or the Placement Agent subscribed for an aggregate of 1,650,000 shares of our common stock (the "Formation Shares"), for which they paid an aggregate of \$82,500 (\$0.05 per share). Each of the holders of the Formation Shares have agreed that they will not (a) offer, sell, contract to sell, grant any option to purchase, hypothecate, pledge or otherwise dispose of or (b) transfer title to any shares of our common stock acquired prior to the 2017 Private Placement, which includes any shares of our common stock acquired upon the exercise of any warrants acquired prior to the 2017 Private Placement, for a period beginning on December 22, 2016 and ending twelve (12) months following the effective date of the registration statement of which this prospectus is a part, without our prior written consent and the prior written consent of the Placement Agent.

In March 2017, the Company signed a consulting service agreement by which it granted the service provider 90,000 shares of the Company's common stock (the "Consultant Shares") for past services provided. The consultant has agreed that they will not (a) offer, pledge, sell, contract to sell, grant any option or contract to purchase, purchase any option or contract to sell, or otherwise dispose of, directly or indirectly, or (b) transfer title to any of the subject shares, for a period beginning the effective date of the consulting agreement and ending: (i) with respect to 22,500 of the Consultant Shares, upon the nine (9) month anniversary of the signing of the consulting agreement, (ii) with respect to 22,500 of the Consultant Shares, upon the six (6) month anniversary from the effective date of the registration statement of which this prospectus is a part, and (iii) with respect to 45,000 of the Consultant Shares, upon the twelve month anniversary from the effective date of the registration statement of which this prospectus is a part, without the prior written consent of the Company.

Our officers and directors and the holders of substantially all of our outstanding shares of capital stock have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock (except for shares of Common Stock acquired in this offering or in the open market subsequent to this offering) for a period through the date 180 days after the date of this prospectus, except with the prior written consent of Piper Jaffray & Co., as the representative of the underwriters. The representative may in their sole discretion and at any time without notice release some or all of the shares subject to lock-up agreements prior to the expiration of the 180-day period. When determining whether or not to release shares from the lock-up agreements, the representative may consider, among other factors, the stockholder's reasons for requesting the release, the number of shares for which the release is being requested and market conditions at the time.

Registration Rights

Certain holders of our securities may be entitled to various rights with respect to registration of their shares under the Securities Act. Registration of these shares under the under the Securities Act would result in these shares becoming fully tradeable without restriction under the Securities Act immediately upon the effectiveness of the registration. See the section entitled "Description of Securities – Registration Rights" for additional information.

Equity Incentive Plans

We intend to file one or more registration statements on Form S-8 under the Securities Act to register our shares issued or reserved for issuance under our equity incentive plans. The first such registration statement is expected to be filed soon after the date of this prospectus and will automatically become effective upon filing with the SEC. Accordingly, shares registered under such registration statement will be available for sale in the open market, unless such shares are subject to vesting restrictions with us or the lock-up restrictions described above. As of January 1, 2018, we estimate that such registration statement on Form S-8 will cover approximately 2,641,250 shares.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR COMMON STOCK

The following is a summary of the material United States federal income tax consequences to non-U.S. holders (as defined below) of their ownership and disposition of our common stock, but does not purport to be a complete analysis of all the potential tax considerations relating thereto. This summary is based upon current provisions of the Code, existing and proposed United States Treasury Regulations promulgated thereunder, current administrative rulings, and judicial decisions, all as in effect as of the date hereof. Especially in light of recent legislative proposals, these authorities may be changed, possibly retroactively, so as to result in United States federal tax consequences different from those set forth below. We have not obtained, and do not intend to obtain, any opinion of counsel or ruling from the Internal Revenue Service, or the IRS, with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions.

This summary also does not address the tax considerations arising under the laws of any non-United States, state or local jurisdiction or under any non-income tax laws, including United States federal gift and estate tax laws, except to the limited extent set forth below. In addition, this discussion does not address the potential application of the tax on net investment income or the alternative minimum tax. This discussion may not apply, in whole or in part, to particular non-U.S. holders in light of their individual circumstances or to holders subject to special treatment under the United States federal income tax laws, including, without limitation:

- insurance companies, banks or other financial institutions;
- tax-exempt organizations;
- pension plans;
- controlled foreign corporations or passive foreign investment companies;
- brokers or dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- persons that own, or are deemed to own, more than 5% of our capital stock (except to the extent specifically set forth below);
- certain former citizens or long-term residents of the United States;
- persons that hold our common stock as a position in a hedging transaction, straddle, conversion transaction, synthetic security or other integrated investment;
- persons that hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation; and
- persons that do not hold our common stock as a capital asset within the meaning of Section 1221 of the Code.

In addition, this discussion does not address the tax treatment of partnerships, including any entity or arrangement treated as a partnership for United States federal income tax purposes. Generally, the tax treatment of a person treated as a partner in such an entity will depend on the status of the partner, the activities of the partner and the partnership, and certain determinations made at the partner level. Accordingly, partnerships that hold our common stock, and partners in such partnerships, should consult their tax advisors.

THIS SUMMARY IS NOT INTENDED TO BE CONSTRUED AS LEGAL ADVICE. WE RECOMMEND THAT PROSPECTIVE INVESTORS CONSULT THEIR TAX ADVISORS REGARDING THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER ANY STATE, LOCAL OR FOREIGN TAX LAWS, ANY APPLICABLE INCOME TAX TREATIES, OR ANY OTHER U.S. FEDERAL TAX LAWS (INCLUDING ESTATE AND GIFT TAX LAWS).

Definition of Non-U.S. Holder

For purposes of this discussion, you are a non-U.S. holder if you are a beneficial owner of our common stock that is not, for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in the United States or under the laws of the United States or any political subdivision thereof;
- an estate whose income is subject to United States federal income tax regardless of its source; or
- a trust whose administration is subject to the primary supervision of a United States court and which has one or more “United States persons” (as defined in the Code) who have the authority to control all substantial decisions of the trust, or which has made a valid election to be treated as a United States person.

Distributions to non-U.S. Holders

As described in the section titled “Dividend Policy,” we do not anticipate paying any cash dividends or making distributions of other property on our common stock in the foreseeable future. However, if we do make distributions of cash or property on our common stock, those payments will constitute dividends for United States tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under United States federal income tax principles. To the extent those distributions exceed both our current and our accumulated earnings and profits, the excess will constitute a return of capital and will first reduce a non-U.S. holder’s tax basis in our common stock, but not below zero, and then will be treated by a non-U.S. holder as gain from the sale of stock as described below under “Gain on Dispositions of Our Common Stock by Non-U.S. Holders.”

Subject to the discussion below on effectively connected income, any dividend paid to a non-U.S. holder generally will be subject to United States withholding tax either at a rate of 30% of the gross amount of the dividend or such lower rate as may be specified by an applicable income tax treaty. To receive a reduced treaty rate, a non-U.S. holder must provide us with an IRS Form W-8BEN or W-8BEN-E (or applicable successor form) and certify qualification for the reduced rate. If a non-U.S. holder is eligible for a reduced rate of United States withholding tax pursuant to an income tax treaty, such non-U.S. holder may obtain a refund or credit of any excess amounts withheld by timely filing an appropriate claim with the IRS. If a non-U.S. holder holds our common stock through a financial institution or other agent acting on such non-U.S. holder’s behalf, appropriate documentation will need to be provided to the agent, which then will be required to provide certification to us or our paying agent, either directly or through other intermediaries.

Dividends received by a non-U.S. holder that are effectively connected with such non-U.S. holder’s conduct of a trade or business in the United States (and, if an applicable income tax treaty so provides, that are attributable to a permanent establishment or a fixed base maintained by such non-U.S. holder in the United States), are generally exempt from the 30% withholding tax if certain certification and disclosure requirements are satisfied. To obtain this exemption, a non-U.S. holder must provide us with an IRS Form W-8ECI (or applicable successor form) properly certifying such exemption. However, such effectively connected dividends, although not subject to withholding tax, generally are taxed at the same graduated United States federal income tax rates applicable to United States persons, net of certain deductions and credits. In addition, dividends received by a corporate non-U.S. holder that are effectively connected with the conduct of a trade or business in the United States may also be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty. Non-U.S. holders should consult with tax advisors regarding any applicable income tax or other treaties that may provide for different rules.

Any documentation provided to an applicable withholding agent may need to be updated in certain circumstances. The certification requirements described above also may require a non-U.S. holder to provide a United States taxpayer identification number.

For additional withholding rules that may apply to dividends, including dividends paid to foreign financial institutions (as specifically defined by the applicable rules) or to certain other foreign entities that have substantial direct or indirect United States owners, see the discussion below under the headings “Information Reporting and Backup Withholding” and “Withholdable Payments to Foreign Financial Institutions and Other Foreign Entities.”

Gain on Disposition of Our Common Stock by Non-U.S. Holders

Subject to the discussion below under the headings “Information Reporting and Backup Withholding” and “Withholdable Payments to Foreign Financial Institutions and Other Foreign Entities,” a non-U.S. holder generally will not be required to pay United States federal income tax or withholding tax on any gain recognized upon the sale, exchange or other taxable disposition of our common stock unless:

- the gain is effectively connected with the conduct of a trade or business by such non-U.S. holder in the United States (and, if an applicable income tax treaty so provides, the gain is attributable to a permanent establishment or a fixed base maintained by such non-U.S. holder in the United States), in which case the non-U.S. holder will be required to pay tax on the net gain derived from the sale or disposition at the graduated rates and in the manner applicable to United States persons, and an additional branch profits tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty) may also apply to a corporate non-U.S. holder;
- such non-U.S. holder is a nonresident alien individual who is present in the United States for a period or periods aggregating 183 days or more during the calendar year in which the sale or disposition occurs and certain other conditions are met, in which case the non-U.S. holder will be required to pay a flat 30% tax (or such lower rate as may be specified by an applicable income tax treaty) on the gain derived from the sale or disposition, which gain may be offset by United States-source capital losses for the taxable year of the sale or disposition; or
- our common stock constitutes a United States real property interest by reason of our status as a “United States real property holding corporation”, or USRPHC, for United States federal income tax purposes at any time within the shorter of the five-year period preceding such non-U.S. holder’s disposition of, or holding period for, our common stock, in which case the non-U.S. holder generally will be taxed on net gain derived from the sale or disposition at the graduated rates applicable to United States persons.

We believe that we are not currently and will not become a USRPHC and the remainder of this discussion so assumes. However, because the determination of whether we are a USRPHC depends on the fair market value of our United States real property relative to the fair market value of our other business assets, there can be no assurance that we will not become a USRPHC in the future. Even if we become a USRPHC, however, as long as our common stock is regularly traded on an established securities market, such common stock will be treated as United States real property interests only if a non-U.S. holder actually or constructively holds more than 5% of such regularly traded common stock at any time during the shorter of the five-year period preceding such non-U.S. holder’s disposition of, or holding period for, our common stock. Non-U.S. holders should consult with tax advisors regarding any applicable income tax or other treaties that may provide for different rules.

Information Reporting and Backup Withholding

We (or the applicable paying agent) must report annually to the IRS the amount of dividends on our common stock paid to non-U.S. holders and the amount of tax withheld, if any. A similar report will be sent to each non-U.S. holder. Copies of this information reporting may also be made available under the provisions of a specific income tax treaty or agreement with the tax authorities in a non-U.S. holder’s country of residence.

Non-U.S. holders will generally be subject to backup withholding (at a current rate of 28%) for dividends on our common stock paid to such non-U.S. holders unless an exemption is established such as by, for example, properly certifying non-United States status on an IRS Form W-8BEN or W-8BEN-E (or applicable successor form). Notwithstanding the foregoing, backup withholding and information reporting may apply if either we or our paying agent has actual knowledge, or reason to know, that a holder of our common stock is a United States person.

Information reporting and backup withholding generally are not required with respect to the amount of any proceeds from the sale or other disposition of our common stock by a non-U.S. holder outside the United States through a foreign office of a foreign broker that does not have certain specified connections to the United States. However, if a non-U.S. holder sells or otherwise disposes of shares of common stock through a United States broker or the United States offices of a foreign broker, the broker will generally be required to report the amount of proceeds paid to such non-U.S. holder to the IRS and also to backup withhold on that amount unless the broker is provided appropriate certification of status as a non-United States person or an exemption is otherwise established. Information reporting will also apply if a non-U.S. holder sells shares of common stock through a foreign broker deriving more than a specified percentage of its income from United States sources or having certain other connections to the United States, unless such broker has documentary evidence in its records that such non-U.S. holder is a non-United States person and certain other conditions are met, or an exemption is otherwise established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment may be refunded or credited against a non-U.S. holder's United States federal income tax liability, if any, provided that an appropriate claim is timely filed with the IRS. Non-U.S. holders should consult with tax advisors regarding the application of the information reporting and backup withholding rules to investment in our common stock.

Withholdable Payments to Foreign Financial Institutions and other Foreign Entities

The Foreign Account Tax Compliance Act, or FATCA, imposes a United States federal withholding tax of 30% on certain payments to "foreign financial institutions" (as specifically defined under these rules) and certain other non-United States persons that fail to comply with certain information reporting and certification requirements pertaining to their direct and indirect United States security holders and/or United States account holders. Such payments include dividends on and, on or after January 1, 2019, gross proceeds from the sale or other disposition of our common stock. Under certain circumstances, a non-U.S. holder may be eligible for refunds or credits of such taxes. An intergovernmental agreement between the United States and an applicable foreign country may modify the requirements described in this paragraph. Non-U.S. holders should consult with tax advisors regarding the possible implications of this legislation and any applicable intergovernmental agreements on investment in our common stock.

U.S. Federal Estate Tax

Our common stock beneficially owned by an individual who is not a citizen or resident of the United States (as defined for United States federal estate tax purposes) at the time of their death will generally be includable in the decedent's gross estate for United States federal estate tax purposes and, therefore, may be subject to United States federal estate tax unless an applicable estate tax treaty or other treaty provides otherwise. Investors are urged to consult their own tax advisors regarding the United States federal estate tax consequences of the ownership or disposition of our common stock.

NON-U.S. HOLDERS ARE URGED TO CONSULT WITH TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE UNITED STATES FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATION, AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE UNITED STATES FEDERAL ESTATE OR GIFT TAX RULES OR UNDER THE LAWS OF ANY STATE, LOCAL, NON-UNITED STATES OR OTHER TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.

UNDERWRITING

We and the underwriters for the offering named below have entered into an underwriting agreement with respect to the common stock being offered. Subject to the terms and conditions of the underwriting agreement, each underwriter has severally agreed to purchase from us, at the initial public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus, the number of shares of our common stock set forth opposite its name below. Piper Jaffray & Co. is the representative of the underwriters.

| Underwriter | Number of Shares |
|------------------------|---------------------|
| Piper Jaffray & Co. | |
| Oppenheimer & Co. Inc. | |
| Total | |

The underwriting agreement provides that the obligations of the underwriters are subject to certain conditions precedent and that the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased, other than those shares covered by the overallotment option described below. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Overallotment Option to Purchase Additional Shares. We have granted to the underwriters an option to purchase up to 637,500 additional shares of common stock at the public offering price, less the underwriting discount. This option is exercisable for a period of 30 days. To the extent that the underwriters exercise this option, the underwriters will purchase additional shares from us in approximately the same proportion as shown in the table above. If any additional shares of our common stock are purchased, the underwriters will offer the additional shares on the same terms as those on which the shares are being offered.

Discounts and Commissions. The following table shows the public offering price, underwriting discount and proceeds, before expenses to us. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

We estimate that the total expenses of the offering, excluding underwriting discount, will be approximately \$ 0.9 million and are payable by us.

| | Per Share | Total | |
|----------------------------------|-----------|--------------------------|-----------------------|
| | | Without Overallotment | With Overallotment |
| Public offering price | | | |
| Underwriting discount | | | |
| Proceeds, before expenses, to us | | | |

The underwriters propose to offer the shares of common stock to the public at the public offering price set forth on the cover of this prospectus. The underwriters may offer the shares of common stock to securities dealers at the public offering price less a concession not in excess of \$ _____ per share. If all of the shares are not sold at the public offering price, the underwriters may change the offering price and other selling terms.

Discretionary Accounts. The underwriters do not intend to confirm sales of the shares to any accounts over which they have discretionary authority.

Market Information. Prior to this offering, there has been no public market for shares of our common stock. The initial public offering price will be determined by negotiations between us and the representative of the underwriters. In addition to prevailing market conditions, the factors to be considered in these negotiations will include:

- the history of, and prospects for, our company and the industry in which we compete;
- our past and present financial information;
- an assessment of our management; its past and present operations, and the prospects for, and timing of, our future revenues;
- the present state of our development; and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

We have applied for the quotation of our common stock on under the symbol “MOTS”.

Stabilization. In connection with this offering, the underwriters may engage in stabilizing transactions, overallotment transactions, syndicate covering transactions, penalty bids and purchases to cover positions created by short sales.

- Stabilizing transactions permit bids to purchase shares of common stock so long as the stabilizing bids do not exceed a specified maximum, and are engaged in for the purpose of preventing or retarding a decline in the market price of the common stock while the offering is in progress.
- Overallotment transactions involve sales by the underwriters of shares of common stock in excess of the number of shares the underwriters are obligated to purchase. This creates a syndicate short position which may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the overallotment option. In a naked short position, the number of shares involved is greater than the number of shares in the overallotment option. The underwriters may close out any short position by exercising their overallotment option or purchasing shares in the open market.
- Syndicate covering transactions involve purchases of common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared with the price at which they may purchase shares through exercise of the overallotment option. If the underwriters sell more shares than could be covered by exercise of the overallotment option and, therefore, have a naked short position, the position can be closed out only by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that after pricing there could be downward pressure on the price of the shares in the open market that could adversely affect investors who purchase in the offering.
- Penalty bids permit the representative to reclaim a selling concession from a syndicate member when the common stock originally sold by that syndicate member is purchased in stabilizing or syndicate covering transactions to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock in the open market may be higher than it would otherwise be in the absence of these transactions. Neither we nor the underwriters make any representation or prediction as to the effect that the transactions described above may have on the price of our common stock. These transactions may be effected on the Nasdaq Capital Market, in the over-the-counter market or otherwise and, if commenced, may be discontinued at any time.

Passive Market Making. In connection with this offering, the underwriters and selling group members, if any, may engage in passive market making transactions in our common stock on in accordance with Rule 103 of Regulation M under the Securities Exchange Act of 1934, as amended, during a period before the commencement of offers or sales of common stock and extending through the completion of the distribution. A passive market maker must display its bid at a price not in excess of the highest independent bid of that security. However, if all independent bids are lowered below the passive market maker's bid, such bid must then be lowered when specified purchase limits are exceeded.

Right of First Refusal. We have also granted the representative of the underwriters a right of first refusal during the thirty month period following the effective date of this prospectus to act as our exclusive financial advisor, sole book-running manager, or exclusive placement agent, as the case may be, in connection with any restructuring transaction, any acquisition or disposition transaction, any public offering, any Rule 144A offering or any private placement of securities until the earlier of (i) the expiration of the thirty month period from the effective date of this prospectus or (ii) the aggregate gross proceeds to us in such transactions exceeds \$50,000,000, subject to certain specified exceptions. Any such engagement will be on terms and conditions customary to the representative of the underwriters for similar transactions, and will be governed by separate agreement.

Lock-Up Agreements. Pursuant to certain "lock-up" agreements, we and our executive officers, directors and holders of substantially all of our common stock and securities convertible into or exchangeable for our common stock, have agreed, subject to certain exceptions, not to offer, sell, assign, transfer, pledge, contract to sell, or otherwise dispose of or announce the intention to otherwise dispose of, or enter into any swap, hedge or similar agreement or arrangement that transfers, in whole or in part, the economic consequence of ownership of, directly or indirectly, or make any demand or request or exercise any right with respect to the registration of, or file with the SEC a registration statement under the Securities Act relating to, any common stock or securities convertible into or exchangeable or exercisable for any common stock without the prior written consent of Piper Jaffray & Co. for a period of 180 days after the date of the pricing of the offering.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition, except for shares of our common stock acquired in this offering or in the open market subsequent to this offering. The exceptions permit us, among other things and subject to restrictions, to: (1) issue common stock or options pursuant to employee benefit plans, (2) issue common stock upon exercise of outstanding options or warrants, or (3) file registration statements on Form S-8. The exceptions permit parties to the "lock-up" agreements, among other things and subject to restrictions, to: (a) make certain gifts, (b) if the party is a corporation, partnership, limited liability company or other business entity, make transfers to any shareholders, partners, members of, or owners of similar equity interests in, the party, or to an affiliate of the party, if such transfer is not for value, and (c) if the party is a corporation, partnership, limited liability company or other business entity, make transfers in connection with the sale or transfer of all of the party's capital stock, partnership interests, membership interests or other similar equity interests, as the case may be, or all or substantially all of the party's assets, in any such case not undertaken for the purpose of avoiding the restrictions imposed by the "lock-up" agreement. In addition, the lock-up provision will not restrict broker-dealers from engaging in market making and similar activities conducted in the ordinary course of their business.

Piper Jaffray & Co. in their sole discretion, may release our common stock and other securities subject to the lock-up agreements described above in whole or in part at any time. When determining whether or not to release our common stock and other securities from lock-up agreements, Piper Jaffray & Co. will consider, among other factors, the holder's reasons for requesting the release, the number of shares for which the release is being requested and market conditions at the time of the request. In the event of such a release or waiver for one of our directors or officers, Piper Jaffray & Co. shall provide us with notice of the impending release or waiver at least three business days before the effective date of such release or waiver and we will announce the impending release or waiver by issuing a press release at least two business days before the effective date of the release or waiver.

Electronic Offer, Sale and Distribution of Shares. A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters or selling group members, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The representative may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make Internet distributions on the same basis as other allocations. Other than the prospectus in electronic format, the information on these websites is not part of this prospectus or the registration statement of which this prospectus forms a part, has not been approved or endorsed by us or any underwriter in its capacity as underwriter, and should not be relied upon by investors.

Other Relationships. Certain of the underwriters and their affiliates may in the future provide various investment banking, commercial banking and other financial services for us and our affiliates for which they may in the future receive customary fees.

Notice to Prospective Investors

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in

compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) an offer to the public of any of our common stock may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any of our common stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of our common stock shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any of our common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any of our common stock to be offered so as to enable an investor to decide to purchase any of our common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

United Kingdom

Each underwriter has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of our common stock in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to our common stock in, from or otherwise involving the United Kingdom.

Canada

The common stock may be sold only to purchasers purchasing as principal that are both “accredited investors” as defined in National Instrument 45-106 Prospectus and Registration Exemptions and “permitted clients” as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the common stock must be made in accordance with an exemption from the prospectus requirements and in compliance with the registration requirements of applicable securities laws.

Hong Kong

The common stock may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to common stock which is or is intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Israel

This document does not constitute a prospectus under the Israeli Securities Law, 5728-1968, or the Securities Law, and has not been filed with or approved by the Israel Securities Authority. In the State of Israel, this prospectus supplement is being distributed only to, and is directed only at, and any offer of the securities and is directed only at (i) a limited number of persons in accordance with Section 15A(a)(1) of the Securities Law or (ii) investors listed in the first addendum, or the Addendum, to the Securities Law, consisting primarily of joint investment in trust funds, provident funds, insurance companies, banks, portfolio managers, investment advisors, members of the Tel Aviv Stock Exchange, underwriters, venture capital funds, entities with equity in excess of NIS 50 million and “qualified individuals”, each as defined in the Addendum (as it may be amended from time to time), collectively referred to as qualified investors (in each case purchasing for their own account or, where permitted under the Addendum, for the accounts of their clients who are investors listed in the Addendum). Qualified investors will be required to submit written confirmation that they fall within the scope of the Addendum, are aware of the meaning of the Addendum and agree to it.

Singapore

This prospectus supplement has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the common stock may not be circulated or distributed, nor may the common stock be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the common stock is subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the common stock pursuant to an offer made under Section 275 of the SFA except:
 - (a) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than \$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

(b) where no consideration is or will be given for the transfer; or

(c) where the transfer is by operation of law.

Switzerland

The common stock may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (the “SIX”) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the common stock or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, or the common stock has been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of common stock will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of common stock has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (“CISA”). Accordingly, no public distribution, offering or advertising, as defined in CISA, its implementing ordinances and notices, and no distribution to any non-qualified investor, as defined in CISA, its implementing ordinances and notices, shall be undertaken in or from Switzerland, and the investor protection afforded to acquirers of interests in collective investment schemes under CISA does not extend to acquirers of common stock.

United Arab Emirates

This offering has not been approved or licensed by the Central Bank of the United Arab Emirates (the “UAE”), Securities and Commodities Authority of the UAE and/or any other relevant licensing authority in the UAE including any licensing authority incorporated under the laws and regulations of any of the free zones established and operating in the territory of the UAE, in particular the Dubai Financial Services Authority (“DFSA”), a regulatory authority of the Dubai International Financial Centre (“DIFC”). The offering does not constitute a public offer of securities in the UAE, DIFC and/or any other free zone in accordance with the Commercial Companies Law, Federal Law No 8 of 1984 (as amended), DFSA Offered Securities Rules and NASDAQ Dubai Listing Rules, accordingly, or otherwise. The common stock may not be offered to the public in the UAE and/or any of the free zones.

The common stock may be offered and issued only to a limited number of investors in the UAE or any of its free zones who qualify as sophisticated investors under the relevant laws and regulations of the UAE or the free zone concerned.

LEGAL MATTERS

The validity of the securities offered in this prospectus is being passed upon for us by Lowenstein Sandler LLP, New York, New York. Goodwin Procter LLP has acted as counsel for the underwriters in connection with certain legal matters related to this offering.

EXPERTS

The financial statements as of December 31, 2016 and 2015 and for the years ended December 31, 2016 and 2015 included in this Prospectus have been audited by Brightman Almagor Zohar & Co., a member firm of Deloitte Touche Tohmatsu Limited and an independent registered public accounting firm, as stated in their report appearing herein (which report expresses an unqualified opinion on the financial statements and includes an explanatory paragraph referring to the Company's ability to continue as a going concern). Such financial statements have been included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Our directors and officers are indemnified to the fullest extent permitted under Delaware law. We also maintain insurance which protects our officers and directors against any liabilities incurred in connection with their service in such a capacity.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer or controlling person of ours in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the common stock offered by this prospectus. This prospectus, which is part of the registration statement, omits certain information, exhibits, schedules and undertakings set forth in the registration statement. For further information pertaining to us and our common stock, reference is made to the registration statement and the exhibits and schedules to the registration statement. Statements contained in this prospectus as to the contents or provisions of any documents referred to in this prospectus are not necessarily complete, and in each instance where a copy of the document has been filed as an exhibit to the registration statement, reference is made to the exhibit for a more complete description of the matters involved.

You may read and copy all or any portion of the registration statement without charge at the office of the SEC at the Public Reference Room at Station Place, 100 F Street, N.E., Washington, D.C. 20549. Copies of the registration statement may be obtained from the SEC at prescribed rates from the Public Reference Section of the SEC at such address. In addition, registration statements and certain other filings made with the SEC electronically are publicly available through the SEC's web site at <http://www.sec.gov>. The registration statement, including all exhibits and amendments to the registration statement, has been filed electronically with the SEC.

Upon completion of this offering, we will become subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934, as amended, and, in accordance with such requirements, will file periodic reports, proxy statements, and other information with the SEC. These periodic reports, proxy statements, and other information will be available for inspection and copying at the regional offices, public reference facilities, and web site of the SEC referred to above. We intend to furnish our stockholders with annual reports containing consolidated financial statements audited by our independent registered accounting firm.



MOTUS GI HOLDINGS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

MOTUS GI HOLDINGS, INC.
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MOTUS GI HOLDINGS, INC.
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
Expressed in U.S. dollars in thousands, except share data

| | Note | As of September 30, 2017 Unaudited | As of December 31, 2016 | Pro Forma September 30, 2017 (**) Unaudited |
|---|------|--|----------------------------|--|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | | \$ 9,827 | \$ 11,644 | |
| Restricted cash | | - | 7 | |
| Accounts receivables, net of allowance of \$17 and \$0, respectively | | 1 | - | |
| Inventory | | 457 | 81 | |
| Prepaid expenses and vendor deposits | | 348 | 222 | |
| Other receivables | | 172 | 41 | |
| Total current assets | | <u>10,805</u> | <u>11,995</u> | |
| Fixed assets, net | | 755 | 141 | |
| Long-term receivables | | 124 | - | |
| Long-term deposits | | 79 | 55 | |
| Total Assets | | <u>\$ 11,763</u> | <u>\$ 12,191</u> | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| Current liabilities | | | | |
| Trade accounts payable | | \$ 471 | \$ 107 | |
| Other current liabilities | | 706 | 645 | |
| Total current liabilities | | <u>1,177</u> | <u>752</u> | |
| Contingent royalty obligation | 5 | <u>1,616</u> | <u>1,410</u> | |
| Shareholders' equity (deficit) | 3 | | | |
| Common stock - \$0.0001 par value | | 1 | 1 | 1 |
| Authorized: 50,000,000 as of September 30, 2017, December 31, 2016 and pro forma (unaudited), respectively | | | | |
| Issued and outstanding: 10,491,844, 9,294,463, and 12,072,972 as of September 30, 2017, December 31, 2016 and pro forma (unaudited), respectively | | | | |
| Preferred series A stock - \$0.0001 par value | | (*) | (*) | |
| Authorized: 2,000,000 as of September 30, 2017, December 31 2016 and pro forma (unaudited), respectively | | | | |
| Issued and outstanding: 1,581,128 and 1,214,845 as of September 30, 2017 and December 31 2016 respectively | | | | |
| No shares issued or outstanding pro forma (unaudited) | | | | |
| Preferred stock - \$0.0001 par value | | | | |
| Authorized: 8,000,000 as of September 30, 2017, December 31, 2016 and pro forma (unaudited) | | | | |
| Issued and outstanding: 0 as of September 30, 2017, December 31, 2016 and pro forma (unaudited) | | | | |
| Additional paid-in capital | | 44,317 | 35,949 | 44,317 |
| Accumulated deficit | | (35,348) | (25,921) | (35,348) |
| Total shareholders' equity | | <u>8,970</u> | <u>10,029</u> | <u>8,970</u> |
| Total liabilities and shareholders' equity | | <u>\$ 11,763</u> | <u>\$ 12,191</u> | <u>11,763</u> |

(*) Represents an amount less than one thousand.

(**) See note 1.C.

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

MOTUS GI HOLDINGS, INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
Expressed in U.S. dollars in thousands, except share and per share information

| | Note | Nine months ended September 30, | | Three months ended September 30, | |
|---|------|------------------------------------|-----------------|-------------------------------------|-----------------|
| | | 2017 | 2016 | 2017 | 2016 |
| | | Unaudited | | Unaudited | |
| Revenue | 2B | \$ 17 | \$ - | \$ - | \$ - |
| Cost of revenue | | 19 | - | - | - |
| Gross loss | | (2) | - | - | - |
| Research and development expenses, net | | 2,699 | 2,381 | 966 | 498 |
| Sales and marketing expenses | | 1,603 | 653 | 614 | 329 |
| General and administrative expenses | | 4,922 | 1,278 | 2,415 | 430 |
| Other income | | (15) | - | - | - |
| Operating loss | | 9,211 | 4,312 | 3,995 | 1,257 |
| Financing expenses, net | 8 | 216 | 915 | 73 | 305 |
| Registration rights expense | 3 | - | - | (901) | - |
| Net Loss | | \$ 9,427 | \$ 5,227 | \$ 3,167 | \$ 1,562 |
| Weighted average number of common shares outstanding used in computing basic and diluted loss per share | | 10,288,895 | 940,028 | 10,489,822 | 940,028 |
| Basic and diluted loss per common share | | \$ (0.92) | \$ (5.56) | \$ (.30) | \$ (1.66) |
| Pro forma weighted average number of common shares outstanding used in computing basic and diluted loss per share (unaudited) (*) | | 11,816,616 | - | 12,070,950 | - |
| Pro forma basic and diluted loss per common share (unaudited) (*) | | \$ (0.80) | - | \$ (.26) | - |

(*) See note 1.C.

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

MOTUS GI HOLDINGS, INC.
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
Expressed in U.S. dollars in thousands, except share data

| | Preferred stock - Motus Ltd. (pre- merger) | | Preferred series A stock | | Common stock | | Additional paid in capital | Accumulated deficit | Total shareholders' equity |
|--|--|------|-----------------------------|------|-------------------------|------|----------------------------------|------------------------|----------------------------------|
| | Number of shares (*) | USD | Number of shares (*) | USD | Number of shares (*) | USD | | | |
| Balance as of January 1, 2016 | 2,971,224 | (**) | - | - | 940,028 | (**) | 14,175 | (17,898) | (3,723) |
| Conversion of convertible notes | 3,243,768 | (**) | - | - | - | - | 16,253 | - | 16,253 |
| Exercise of warrants | - | - | - | - | 88,748 | (**) | - | - | - |
| Effect of reverse recapitalization transaction | (6,214,992) | (**) | 1,214,845 | (**) | 8,265,687 | 1 | 5,467 | - | 5,468 |
| Share-based compensation | - | - | - | - | - | - | 54 | - | 54 |
| Net loss | - | - | - | - | - | - | - | (8,023) | (8,023) |
| Balance as of December 31, 2016 | - | - | 1,214,845 | (**) | 9,294,463 | 1 | 35,949 | (25,921) | 10,029 |
| (Unaudited) | | | | | | | | | |
| Issuance of shares | - | - | 366,283 | (**) | 1,098,849 | (**) | 6,474 | - | 6,474 |
| Share-based compensation | - | - | - | - | 97,778 | (**) | 1,894 | - | 1,894 |
| Exercise of options | - | - | - | - | 754 | (**) | (**) | - | - |
| Net loss for the period | - | - | - | - | - | - | - | (9,427) | (9,427) |
| Balance as of September 30, 2017 | - | - | 1,581,128 | (**) | 10,491,844 | 1 | 44,317 | (35,348) | 8,970 |

(*) Number of shares as of January 1, 2016 has been retroactively adjusted based on the equivalent number of shares received by the accounting acquirer in the reverse recapitalization (see note 1A).

(**) Represents an amount less than one thousand.

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

MOTUS GI HOLDINGS, INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Expressed in U.S. dollars in thousands

| | Nine months ended September 30, | |
|---|---------------------------------|----------------|
| | 2 0 1 7 | 2 0 1 6 |
| | Unaudited | |
| <u>CASH FLOWS - OPERATING ACTIVITIES</u> | | |
| Net loss for the period | (9,427) | (5,227) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 42 | 22 |
| Change in fair value of contingent royalty obligation | 206 | - |
| Change in fair value of convertible loans | - | 886 |
| Share-based compensation expense | 1,894 | 12 |
| Changes in assets and liabilities: | | |
| Decrease (increase) in other current and long-term assets | (255) | 18 |
| Increase in accounts receivable, net | (1) | - |
| Increase in inventory | (376) | - |
| Increase in prepaid and vendor deposits | (126) | - |
| Increase in trade accounts payable | 364 | 95 |
| Increase in other current liabilities | 61 | 87 |
| Net cash used in operating activities | (7,618) | (4,107) |
| <u>CASH FLOWS - INVESTING ACTIVITIES</u> | | |
| Acquisition of fixed assets | (656) | (8) |
| Increase in long-term deposits | (24) | 33 |
| Decrease in restricted cash | 7 | (43) |
| Net cash used in investing activities | (673) | (18) |
| <u>CASH FLOWS - FINANCING ACTIVITIES</u> | | |
| Proceeds from issuance of shares, net of financing costs of \$850,670 | 6,474 | - |
| Proceeds from issuance of convertible notes | - | 3,450 |
| Net cash provided by financing activities | 6,474 | 3,450 |
| Decrease in cash and cash equivalents | (1,817) | (675) |
| Cash and cash equivalents at the beginning of the year | 11,644 | 1,292 |
| Cash and cash equivalents at the end of the period | 9,827 | 617 |

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

MOTUS GI HOLDINGS, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Expressed in U.S. dollars in thousands, except share data

NOTE 1 - GENERAL

A. ORGANIZATION AND BUSINESS

Organization

Motus GI Holdings, Inc. (the "Company") was incorporated in Delaware, U.S.A. in September 2016. The Company was established for the purpose of raising capital for the recapitalization of Motus GI Medical Technologies, Ltd. ("Motus, Ltd."), a company incorporated in Israel and its then wholly owned subsidiary Motus GI, Inc. ("Motus, Inc."), a company incorporated in Delaware, U.S.A.

On December 22, 2016, the Company acquired (the "Recapitalization Transaction") 100% of the outstanding shares of Motus, Ltd. pursuant to a capital stock exchange agreement dated December 1, 2016, between the Company and the shareholders of Motus, Ltd. (the "Exchange Agreement"). In exchange for the outstanding shares of Motus, Ltd., the Company issued to the shareholders of Motus, Ltd. a total of 4,000,000 shares of the Company's common stock representing approximately 69% of the total shares then issued and outstanding after giving effect to the Recapitalization Transaction. As a result of the Recapitalization Transaction, Motus, Ltd. became a wholly owned subsidiary of the Company. As the shareholders of Motus, Ltd. received the largest ownership interest in the Company, Motus, Ltd. was determined to be the "accounting acquirer" in the reverse recapitalization. As a result, the historical financial statements of the Company were replaced with the historical financial statements of Motus, Ltd.

On December 31, 2016, the Company executed a stock purchase agreement to acquire Motus, Inc. from Motus, Ltd resulting in Motus, Inc. becoming a wholly owned subsidiary of the Company.

The Company and its subsidiaries, Motus, Ltd. and Motus, Inc., are collectively referred to as the "Company".

Business

The Company has developed a single-use medical device system, the Pure-Vu system, cleared by the United States Food and Drug Administration, which is intended to connect to standard colonoscopes to help facilitate intraprocedural cleaning of a poorly prepared colon by irrigating or cleaning the colon and evacuating the irrigation fluid (water), feces and other bodily fluids and matter, e.g. blood. The Pure-Vu system has been designed to integrate with standard colonoscopes to enable cleaning during the procedure while preserving standard procedural workflow and techniques. The Pure-Vu system and the procedure to cleanse the colon in preparation for colonoscopy are not currently reimbursable through private or governmental third-party payors in any country, but the Company does intend to seek reimbursement through private or governmental third-party payors in the future. To date, as part of the Company's limited pilot launch, the Company has focused on collecting clinical data on the use of the Pure-Vu system.

MOTUS GI HOLDINGS, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Expressed in U.S. dollars in thousands, except share data

NOTE 1 - GENERAL (Cont.)

B. Going Concern

To date the Company has generated minimal revenues from its activities and has incurred substantial operating losses. Management expects the Company to continue to generate substantial operating losses and to continue to fund its operations primarily through utilization of its current financial resources, future product sales, and through additional raises of capital.

Such conditions raise substantial doubts about the Company's ability to continue as a going concern. Management's plan includes revenue generation through the sale of products and raising funds from outside investors. However, there is no assurance that such sale of products will occur or that outside funding will be available to the Company, will be obtained on favorable terms or will provide the Company with sufficient capital to meet its objectives. These financial statements do not include any adjustments relating to the recoverability and classification of assets, carrying amounts or the amount and classification of liabilities that may be required should the Company be unable to continue as a going concern.

C. Unaudited Pro Forma Consolidated Balance Sheet and Statement of Comprehensive Loss Information

Immediately upon the closing of the initial public offering contemplated by the Company, all outstanding shares of Series A convertible preferred stock will automatically convert into shares of common stock. The unaudited pro forma consolidated balance sheet information at September 30, 2017 gives effect to the conversion of all outstanding shares of the Company's Series A convertible preferred stock into 1,581,128 shares of common stock.

Pro forma basic and diluted net loss per share were computed to give effect to the conversion of all of our outstanding shares of Series A Convertible Preferred Stock into an aggregate of 1,581,128 shares of common stock as of September 30, 2017 using the as-if converted method as though the conversion had occurred as of the beginning of the period or the original date of issuance, if later.

NOTE 2 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Unaudited Interim Financial Statements

These unaudited interim consolidated financial statements have been prepared as of September 30, 2017, and for the three and nine months period then ended. Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been omitted. These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited financial statements and the accompanying notes of the Company for the year ended December 31, 2016.

The results of operations presented are not necessarily indicative of the results to be expected for the year ending December 31, 2017.

B. Significant Accounting Policies

The significant accounting policies followed in the preparation of these unaudited interim condensed consolidated financial statements are identical to those applied in the preparation of the latest annual financial statements with the exception of the following described below.

Revenue recognition

During the first quarter of 2017, the Company began selling its products. The vast majority of the Company's sales are expected to be achieved through the effort of its direct sales force.

In accordance with ASC Topic 605 "Revenue Recognition", the Company recognizes revenues from sale of products when the following fundamental criteria are met: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the price to the customer is fixed or determinable; and (iv) collection of the resulting receivable is reasonably assured. Generally, delivery occurs after products meet all of the customer's acceptance criteria based on pre-shipment electronic, functional and quality tests.

The Company provides one-year warranty on sale of its products. No events have occurred that would indicate a need to necessitate an allowance related to warranty costs. The Company's policy does not allow for sales returns; therefore, no allowance has been created with respect to such matter.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded and carried at the original invoiced amount less an allowance for any potential uncollectible amounts. The Company makes estimates for the allowance for doubtful accounts based upon its assessment of various factors, including historical experience, the age of the accounts receivable balances, credit quality of our customers, current economic conditions, and other factors that may affect customers' ability to pay. During the nine months ended September

30, 2017 and 2016, bad debt expense was \$17 and \$0, respectively.

Reclassification

Certain prior period amounts have been reclassified to conform to current period presentation.

Registration Payment Arrangements

The Company accounts for registration payment arrangements in accordance with ASC Topic 825-20, "Registration Payment Arrangements." This pronouncement specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument, should be separately recognized and accounted for as a contingency in accordance with ASC 450-20, "Loss Contingencies" ("ASC 450").

MOTUS GI HOLDINGS, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Expressed in U.S. dollars in thousands, except share data

NOTE 2 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Recent Accounting Standards

The Company assesses the adoption impacts of recently issued accounting standards by the Financial Accounting Standards Board on its financial statements. Following are newly issued standards or material updates to the Company's previous assessments from its financial statements from the year ended December 31, 2016:

In May 2014, the FASB issued ASC 606, "Revenue From Contracts With Customers" a new revenue recognition standard that will supersede current revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is effective for the Company on January 1, 2018, and the Company intends on applying the standard retrospectively to each prior reporting period presented as of the date of adoption. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 "Leases" to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. For operating leases, the ASU requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on its balance sheet. The ASU retains the current accounting for lessors and does not make significant changes to the recognition, measurement, and presentation of expenses and cash flows by a lessee.

The ASU is effective for the Company in the first quarter of 2019, with early adoption permitted. The Company continues to evaluate the effect of the adoption of this ASU and expects the adoption will result in an increase in the assets and liabilities on the consolidated balance sheets for operating leases (refer to Note 5) and will likely have an insignificant impact on the consolidated statements of earnings.

In June 2016, the FASB issued ASU 2016-13 "Financial Instruments – Credit Losses" to improve information on credit losses for financial assets and net investment in leases that are not accounted for at fair value through net income. The ASU replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses. The ASU is effective for the Company in the first quarter of 2020, with early adoption permitted. The Company is currently evaluating the effect the adoption of this ASU will have on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18 "Restricted Cash" to provide guidance on the presentation of restricted cash in the statement of cash flows. Currently, the statement of cash flows explained the change in cash and cash equivalents for the period. The ASU requires that the statement of cash flows explain the change in cash, cash equivalents and restricted cash for the period. The ASU will be adopted by the Company on January 1, 2018, on a prospective basis. The Company does not expect the adoption to have a material effect on the statements of cash flows as the Company's restricted cash is not expected to be material.

In May 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-09, "Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting," which clarifies when a change to terms or conditions of a share-based payment award must be accounted for as a modification. The new guidance requires modification accounting if the vesting condition, fair value or the award classification is not the same both before and after a change to the terms and conditions of the award. The new guidance will be adopted by the Company on January 1, 2018, on a prospective basis. The Company does not expect the adoption of this standard to have an impact on its consolidated financial statements.

NOTE 3 - SHARE CAPITAL

Formation shares

During October and November 2016, the Company issued 1,650,000 shares of common stock pursuant to the formation of the Company.

Shares exchange

As detailed in Note 1, during the Recapitalization Transaction the Company issued 4,000,000 shares of common stock in exchange for 100% of the issued and outstanding and preferred shares of Motus Ltd.

MOTUS GI HOLDINGS, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Expressed in U.S. dollars in thousands, except share data

NOTE 3 - SHARE CAPITAL (Cont.)

Registration Rights

In connection with the 2017 Private Placement (as defined below), the Company entered into a registration rights agreement (the "Registration Rights Agreement") with the 2017 Private Placement investors, (the "Investors"). The Company is required to file within certain timeframes a registration statement with the SEC covering the resale of the shares of our common stock held by the Investors (the "Investor Shares") issued in the 2017 Private Placement, as well as the shares of our common stock underlying the Series A Convertible Preferred Stock, par value \$0.0001 (the "Series A Convertible Preferred Stock"), issued in the 2017 Private Placement (together with the Investor Shares, the "Registrable Securities"). If this registration statement is not declared effective within certain timeframes, the Company will be required to pay the Investors a penalty until such failure is cured. The maximum amount of payments to be made by the Company to each Investor as the result of such failure, shall be an amount equal to six percent (6%) of each Investor's investment amount. If the Company fails to pay any partial liquidated damages or refund within seven days after the date payable, the Company will pay interest thereon at a rate of 2% per annum.

On November 9, 2017, the Company entered into an amendment to the Registration Rights Agreement (the "Registration Rights Amendment") to waive Investors' rights to receive penalties under the Registration Rights Agreement if the Company is successful in consummating an Initial Public Offering (the "IPO") by June 30, 2018. Accordingly, during the current period the Company adjusted its liability regarding the registration right penalties which prior to such adjustment was recorded at an amount equal to management's expectation of the penalty exposure at that time according to the Registration Rights Agreement. See Note 8 - Subsequent Events.

MOTUS GI HOLDINGS, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Expressed in U.S. dollars in thousands, except share data

NOTE 3 - SHARE CAPITAL (Cont.)

Private placement

On December 22, 2016, prior to the consummation of the Recapitalization Transaction, the Company consummated a private placement transaction (the "2017 Private Placement") as part of the Recapitalization Transaction. The 2017 Private Placement consisted of units each consisting of three-quarter of a share of common stock, par value \$0.0001 and one-quarter a share of convertible preferred series A stock, par value \$0.0001.

On December 22, 2016, the Company completed the first closing of the Private Placement. The Company raised approximately \$8,077 for 1,615,540 units consisting of 3/4 of a share of common stock and 1/4 of a share of Series A Convertible Preferred Stock.

On January 30, 2017, the Company completed the second closing of the private placement. The Company raised approximately \$2,937 for 587,460 units consisting of 3/4 of a share of common stock and 1/4 of a share of Series A Convertible Preferred Stock.

On February 24, 2017, the Company completed the third and final closing of the private placement. The Company raised approximately \$4,388 for 877,671 units consisting of 3/4 of a share of common stock and 1/4 of a share of Series A Convertible Preferred Stock.

Each share of Series A Convertible Preferred Stock is initially convertible at the option of the holder into one share of common stock. Each share of Series A Convertible Preferred Stock will automatically convert into one share of common stock at the earliest to occur of (a) three years from the initial closing of the 2017 Private Placement or (b) notice by the Company to the holders of Series A Convertible Preferred Stock that the Company has elected to convert all outstanding shares ("Mandatory Conversion Date"). Holders of the Series A Convertible Preferred Stock will not be entitled to receive dividends. The preferred stockholders will vote on an as-converted basis with the common stockholders, and upon any liquidation, dissolution or winding-up of the Company, the holders of the Series A Convertible Preferred Stock will be entitled to receive, for each share of preferred stock an amount equal to the stated value plus any accrued and unpaid dividends thereon before any distribution or payment may be made to the common stockholders. Refer to Note 8-Subsequent Events.

The Series A Convertible Preferred Stock includes the right, as a group, to receive: (i) a percentage of the net sales of the Pure-Vu™ system, and (ii) a percentage of the proceeds, if any, received by the Company in connection with the licensing of the Pure-Vu™ system ("Royalty Payment Rights"). See Note 5 for additional information.

Exchange of convertible notes

On December 22, 2016, Motus Ltd. was obligated with respect to convertible notes in the amount of \$14,596, inclusive of accrued interest. In connection with the Recapitalization Transaction, the Company exchanged the convertible notes for approximately 2,432,808 shares of common stock and 810,960 shares of Series A Convertible Preferred Stock.

Convertible notes warrants

As a result of the Recapitalization Transaction, the Company issued 907,237 convertible note warrants (the "CNA Warrants") to replace the warrants previously issued to the convertible note holders upon conversion. The five-year CNA Warrants are exercisable for the Company's common stock at an exercise price of \$5.00 per share.

MOTUS GI HOLDINGS, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Expressed in U.S. dollars in thousands, except share data

NOTE 4 - SHARE-BASED COMPENSATION

Employee stock option grant

The Company has one option plan that was approved in 2009. This plan was adjusted in 2016 following the reverse recapitalization transaction on December 22, 2016.

According to the original plan, employees and service providers were entitled to receive options to purchase common shares of Motus Ltd. Following the recapitalization, the options granted will entitle their holder to purchase shares of common stock of the Company. As a result, the number of options and exercise price per share were adjusted in a technical manner such that there was no change in the fair value of the awards under the adjusted plan. All number of options and exercise prices in this Note have been restated to reflect the adjusted option plan.

On May 4, 2017, the Company's Board of Directors approved the issuance of 1,595,769 options to directors and employees. The options that were granted have an exercise price of \$4.50 and vest in accordance with the terms of the option agreements.

As part of the 1,595,769 options granted on May 4, 2017, the Company's CEO received options to purchase 511,113 shares of the Company's common stock. Fifty-three percent (53%) of the options were fully vested immediately upon grant, forty percent (40%) of the options will vest in a series of twelve (12) successive equal quarterly installments upon the CEO's completion of each successive calendar quarter of active service over the three (3) year period measured from the date of grant, and seven percent (7%) of the options will vest on December 22, 2019, provided that the CEO remains an employee of the Company through each applicable vesting date. Additionally, the Company's former CFO as of the grant date, received options to purchase 154,227 shares of the Company's common stock. A portion of the options vested on the grant date and the remaining options were to vest over a period of 3 years. Following the former CFO's resignation, the non-vested options were forfeited in accordance with the terms of the option agreement as the CFO was no longer employed by the Company.

As part of the 1,595,769 options granted on May 4, 2017, Directors of the Company received options to purchase 482,500 shares of the Company's common stock. The options will vest on the first and second anniversary of the grant date contingent upon continued services as director of the Company. As of September 30, 2017, the Company incurred \$196 of expense with regards to these options.

On May 4, 2017, the Company's Board of Directors approved unrestricted stock awards for the issuance of 5,000 shares of its common stock to employees of the Company, under the 2016 Equity Incentive Plan.

MOTUS GI HOLDINGS, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Expressed in U.S. dollars in thousands, except share data

NOTE 4 - SHARE-BASED COMPENSATION (Cont.)

Employee stock option grant (Cont.)

On August 16, 2017, the Company hired a new CFO. Pursuant to the terms of the employment agreement, the CFO was granted options to purchase 240,000 common shares of the Company. The options will vest over a three-year period on a quarterly basis and the exercise price will be equal to the fair market value on the grant date of \$4.50 per share as determined by the Board of Directors.

On September 29, 2017, the Company's Board of Directors approved the issuance of 7,000 options to two employees. The additional options that were granted have an exercise price of \$4.50 and vest quarterly over a three-year period. The grant date fair value of these options in the aggregate was approximately \$17.5

On September 29, 2017, the Board of Directors approved the repricing of the May 4, 2017 options awarded from an exercise price of \$5.00 to \$4.50 per share. This repricing was accounted for as a modification of a share-based payment award, and increased the fair value of each option award from \$2.34 per share to \$2.45 per share. The incremental compensation expense recognized as a result of the modification during the period ended September 30, 2017 was approximately \$203.

The following table summarizes stock option activity related to employees during the nine months ended September 30, 2017:

| | Shares Underlying Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (years) | Aggregate Intrinsic Value (in thousands) |
|-----------------------------------|---------------------------------|---------------------------------------|---|--|
| Outstanding at December 31, 2016 | 110,711 | \$ 2.42 | 7.02 | \$ 231.0 |
| Granted | 1,842,769 | 4.50 | 10.00 | - |
| Exercised | (1,438) | 5.00 | - | - |
| Forfeited/canceled | (261,216) | - | - | - |
| Outstanding at September 30, 2017 | <u>1,690,826</u> | <u>\$ 4.39</u> | <u>9.50</u> | <u>\$ 0.0</u> |

At September 30, 2017, unamortized stock compensation for employee stock options was \$3.475, with a weighted-average recognition period of 2.33 years.

At September 30, 2017, outstanding employee options to purchase 554,082 shares of common stock were exercisable with a weighted-average exercise price per share of \$4.08.

The following table summarizes total non-cash employee stock-based compensation by operating statement classification:

| | Nine Months Ended September 30, | | Three Months Ended September 30, | |
|--------------------------|---------------------------------|--------------|----------------------------------|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| General administrative | \$ 981 | \$ 7 | \$ 164 | \$ 3 |
| Sales and marketing | 126 | - | 9 | - |
| Research and development | 158 | 6 | 19 | 2 |
| Total | <u>\$ 1,265</u> | <u>\$ 13</u> | <u>\$ 192</u> | <u>\$ 5</u> |

MOTUS GI HOLDINGS, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Expressed in U.S. dollars in thousands, except share data

NOTE 4 - SHARE-BASED COMPENSATION (Cont.)

Stock, options and warrants to service providers

The Company accounts for options to purchase common stock issued to non-employees using the guidance of ASC 505-50, "Equity-Based Payments to Non-Employees", whereby the fair value of such options is determined at the earlier of the date at which the non-employee's performance is completed or a performance commitment is reached.

In 2012 and 2014, the Company granted 7,510 and 7,509 options to its service providers, respectively, to purchase shares of the Company's common stock at an exercise price of \$2.38 per share. The options vest over a period of 3 years and will expire 10 years from the date of issuance.

In January 2017, the Company signed an agreement by which it granted a service provider an option to purchase 100,000 shares of the Company's common stock as compensation for past services, and therefore, the option was fully vested as of the signing date of the agreement. The Company did not previously record compensation expenses prior to the current period since grant date conditions had not been satisfied prior to the signing date of the agreement. The option may be exercised during a period of 5 years from issuance at an exercise price of \$5.00 per share. During the period ended September 30, 2017, the Company recorded compensation expense in the amount of \$154 which was included in general and administrative expenses.

In March 2017, the Company signed a consulting service agreement by which it granted the service provider 90,000 shares of the Company's common stock as compensation for past services provided. As such, the share award was fully vested as of the signing date of the agreement. The Company did not previously record compensation expenses prior to the current period since grant date conditions had not been satisfied prior to the signing date of the agreement. The shares are subject to a lock-up agreement that will end, (i) with respect to 22,500 of the shares upon the nine month anniversary of the signing of the consulting agreement, (ii) with respect to 22,500 of the shares upon the 6 month anniversary the SEC declares the S-1 registration agreement effective (the "Effective Date"), and (iii) with respect to the remaining 45,000 upon the year anniversary of the Effective Date. The measurement date was reached on the signing date of the agreement. The compensation expense recorded for the period ended September 30, 2017 was approximately \$405 based on the fair value of the Company's common stock as of the measurement date.

Additionally, within the framework of the agreement, the Company granted the service provider a warrant to purchase 30,000 shares of the Company's common stock at an exercise price of \$8.00 per share, as compensation for services to be provided. The warrant will vest and become exercisable as follows: (i) 7,500 warrant shares will become exercisable on December 27, 2017, (ii) 7,500 warrant shares will become exercisable on the six month anniversary of the date the Securities and Exchange Commission declares the Company's Registration Statement on Form S-1 effective (the "Registration Statement Effectiveness Date"), and (iii) 15,000 warrant shares will become exercisable on the twelve month anniversary of the Registration Statement Effectiveness Date. The warrants are exercisable for a period of 5 years from the signing date of the agreement. As of September 30, 2017, the Company recorded an expense in the amount of \$17 with respect to this agreement which is recorded in general and administrative expenses.

On May 4, 2017, the Company granted options to purchase 31,000 common shares of the Company to two services providers as consideration for consulting services. 250 of the options underlying the common shares vested on the grant date and the remaining options will vest in a series of twelve equal, quarterly installments contingent upon providing continued service as of each quarter over a three-year period from the grant date. The exercise price of the options are \$4.50 and will expire 10 years from the grant date. As of September 30, 2017, the Company recorded an expense in the amount of \$5 with respect to this agreement which is recorded in general and administrative expenses.

In August and September 2017, the Company granted 2,778 shares of common stock in connection with a consulting agreement. As of September 30, 2017, the Company recorded an expense in the amount of \$13 with respect to this agreement which was recorded in general and administrative expenses.

In connection with the 2017 Private Placement, the Company issued 403,632 warrants to purchase 403,632 shares of the Company's common stock to the placement agent at an exercise price of \$5. These warrants are exercisable for a period of 5 years from the grant date and provide for a cashless exercise.

The intrinsic value of options and warrants outstanding to service providers is \$0 as of September 30, 2017.

The fair value of the stock options and warrants granted to employees and service providers during the period was estimated at the date of grant using the Black-Scholes options pricing model with the following weighted-average assumptions. Given the absence of an active market for the Company's stock, the fair value of common stock at the time of grant of each share award was based upon several factors, including consideration of input from management and contemporaneous third-party valuations:

| | | |
|--------------------------------|----|---------------|
| Fair value of common stock | \$ | 4.50 |
| Expected volatility | | 60% |
| Dividend Yield | | 0% |
| Risk-free interest | | 1.92% - 2.36% |
| Expected life of up to (years) | | 5.81 |

MOTUS GI HOLDINGS, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Expressed in U.S. dollars in thousands, except share data

NOTE 5 - CONTINGENT ROYALTY OBLIGATION

As a part of the 2017 Private Placement, the Company issued Series A Convertible Preferred Stock which entitle its holders, in aggregate, to a royalty in an amount of:

- 3% of net sales subject to a maximum in any calendar year equal to the total dollar amount of units closed on in the private placement offering; and
- 5% of licensing proceeds subject to a maximum in any calendar year equal to the total dollar amount of units closed on in the private placement.

Even if converted pursuant to the mandatory conversion as defined in Note 3 above, the royalty right certificate will remain in the hands of the holder in addition to the common stock to be issued following conversion. If converted at the option of the holder prior to the mandatory conversion, the holder will lose all rights to future royalty payments.

In addition, the Company issued royalty rights certificates to the placement agent, and its designees, with substantially similar terms as those of the Series A Convertible Preferred Stock, which grants the placement agent, and its designees the right, in the aggregate, to receive 10% of the amount of payments paid to the holders of the Series A Convertible Preferred Stock.

The royalty rights certificates were recorded as a liability at fair value in the consolidated financial statements with changes in the fair value recorded in profit and loss.

Activity of all royalty right liabilities, which are measured on a recurring basis, was as follow for the period ended September 30, 2017:

| | Contingent royalty obligation |
|----------------------------|-------------------------------|
| As of December 31, 2016 | \$ 1,410 |
| Revaluation of liabilities | 206 |
| As of September 30, 2017 | 1,616 |

The Company measures the fair value of the liabilities using the discounted cash flow method using level 3 assumptions, namely a discount rate of 20%. The fair value at inception was allocated to the royalty rights and the residual value was allocated to the preferred shares and recorded as equity.

In accordance with ASC-820-10-50-2(g), the Company performed a sensitivity analysis of the liability, which was classified as a level 3 financial instrument. The Company recalculated the fair value of the liability by applying a +/- 2% change to the input variable in the discounted cash flow model; the discount rate. A 2% decrease in the discount rate would increase the liability by approximately \$167; a 2% increase in the discount rate would decrease the liability by approximately \$146.

On November 9, 2017, the Company entered into an agreement to amend the Royalty Payment Rights. Under the amended terms, the Company will not accrue or pay royalties until the aggregate net sales equal \$20,000 ("Net Sales Milestone") and no licensing proceeds will be accrued until the Company has generated licensing proceeds of \$3,500 ("Licensing Proceeds Milestone"). The net amount of royalties based on net sales will be subject to a cap of \$30,000 in any calendar year. The net amount of royalties based on licensing proceeds will be subject to a cap of \$30,000 in any calendar year. The Company is obligated to pay the royalties 15 days following receipt of audited financial statements for the prior year in which the Net Sales Milestone was reached disregarding licensing proceeds. Licensing proceeds will be paid 10 days following the quarter in which the Licensing Proceeds Milestone is reached. Management estimates that this amendment would result in a decrease in the royalty obligation by approximately \$365. See Note 8 - Subsequent Events.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

On April 13, 2017, the Company entered into a lease for a facility in Fort Lauderdale, Florida, which the Company intends to begin occupying in October 2017. The facility will be initially 4,554 square feet, which will increase to 6,390 square feet by the second year of the lease. The term will run for seven years and two months from the date the Company begins to occupy the facility. Annual base rent is initially \$157 per year, subject to annual increases of 2.75%, which is recognized on a straight-line basis.

The Company currently has a lease agreement for its facilities in Israel through December 31, 2019. The annual lease fees are \$82. The Company has an option to renew the lease agreement for three more years after the initial term period ends. The annual lease fees will increase by 4% beginning on the renewal option date.

NOTE 7 - FINANCE EXPENSE, NET

The following table summarizes finance expenses, net:

| | Nine Months Ended September 30, | | Three Months Ended September 30, | |
|--|---------------------------------|---------------|----------------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Bank fees and interest | \$ 5 | \$ 16 | \$ 2 | \$ 2 |
| Change in fair value of contingent royalty obligation | 216 | - | 73 | - |
| Change in fair value and interest on convertible notes | - | 925 | - | 303 |
| Exchange rate differences | 5 | (26) | - | - |
| Total finance expenses, net | <u>\$ 226</u> | <u>\$ 915</u> | <u>\$ 75</u> | <u>\$ 305</u> |

MOTUS GI HOLDINGS, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Expressed in U.S. dollars in thousands, except share data

NOTE 8 - SUBSEQUENT EVENTS

The Company has analyzed its operations subsequent to September 30, 2017 through January 5, 2018, the issuance date of the financial statements, and noted the following subsequent events:

On October 21, 2017, the Company issued 1,389 shares of the Company's common stock to a third party for recruitment services provided. The fair value of these shares as of the grant date was approximately \$6.

As of November 9, 2017, the Company entered into the Registration Rights Amendment whereby Investors waived their rights to receive penalties under the Registration Rights Agreement if the Company is successful in consummating an IPO by June 30, 2018. Pursuant to the Registration Rights Amendment, the Company may be required to file with the SEC a registration statement (the "Resale Registration Statement") covering the resale of the Investor Shares either (a) within 225 days after the date of final prospectus for an IPO, or (b) on August 31, 2018 if the IPO is not consummated by June 30, 2018. If the Company is not successful in consummating an IPO by June 30, 2018, penalties and payments would be due to the Investors as if the Registration Rights Amendment had never been entered into.

Concurrent with the Registration Rights Amendment, the Company entered into an agreement to amend the royalty payment rights and the potential royalty payment due to current holders of the Company's Series A Convertible Preferred Stock, subject to the successful consummation of an IPO.

As of November 9, 2017, the Company's officers and directors and the holders of substantially all of the Company's outstanding shares of capital stock have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock (except for shares of Common Stock acquired in this offering or in the open market subsequent to this offering) for a period through the date 180 days after the date of this prospectus, except with the prior written consent of Piper Jaffray & Co.

As consideration for the Investors to enter into the Registration Rights Amendment and to reduce the royalty payment, the Company will issue to those shareholders that have executed each of the documents related to the November 9, 2017 transactions (including a lock-up agreement) a warrant to purchase a number of shares of the Company's common stock equal to ten percent (10%) of the number of shares of common stock and common stock underlying the Series A Convertible Preferred Stock owned by the Investor as of November 9, 2017, at a purchase price equal to the IPO price of the Company's common stock in the IPO, if the IPO is consummated.

On November 9, 2017, the Company issued 47,000 options to purchase the Company's common stock to various employees. The options have an exercise price of the greater of \$4.50 per share or the public offering price of the Company's common stock in the IPO, if the IPO is consummated, are exercisable for 10 years, and vest over a period of 3 years.

On November 9, 2017, the Board of Directors approved an amendment to the vesting schedule for all previously milestone based vesting options so that 29,863 of such options will vest in full on November 9, 2018.

On December 22, 2017, the statute originally named the "Tax Cuts and Jobs Act" (the "2017 Tax Act") was signed into law in the United States. The 2017 Tax Act, among other provisions, introduces changes in the U.S corporate tax rate, business related exclusions and deductions and credits, and has international tax consequences for companies that operate internationally. Most of the changes introduced in the 2017 Tax Act are effective beginning on January 1, 2018. The effects of Tax Act provisions are still being identified and evaluated by Management.

On January 1, 2018, 629,594 additional shares of common stock were replenished to the Company's reserve for future issuance under its 2016 Equity Incentive Plan.



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Board of Directors and Stockholders of
Motus GI Holdings, Inc.**

We have audited the accompanying consolidated balance sheets of Motus GI Holdings, Inc. and its subsidiaries (the “Company”) as of December 31, 2016 and December 31, 2015 and the related consolidated statements of comprehensive loss, changes in stockholders’ equity, and cash flows for the years ended December 31, 2016 and December 31, 2015. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and December 31, 2015 and the results of its operations and cash flows for the years ended December 31, 2016 and December 31, 2015 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1(B) to the consolidated financial statements, the Company’s minimal revenues and substantial operating losses raise substantial doubt about its ability to continue as a going concern. Management’s plans concerning these matters are also described in Note 1(B) to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

/s/ Brightman Almagor Zohar & Co.

Brightman Almagor Zohar & Co.

Certified Public Accountants

Member of Deloitte Touche Tohmatsu Limited

Tel Aviv, Israel

April 7, 2017, except for Note 1(B), as to which the date is January 5, 2018

MOTUS GI HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
Expressed in U.S. dollars in thousands

| | <u>Note</u> | <u>As of December 31,</u> | |
|---|-------------|---------------------------|----------------|
| | | <u>2016</u> | <u>2015</u> |
| ASSETS | | | |
| <u>Current assets</u> | | | |
| Cash and cash equivalents | 2E | 11,644 | 1,292 |
| Restricted cash | | 7 | - |
| Inventory | 4 | 81 | - |
| Other current assets | 3 | 263 | 180 |
| Total current assets | | <u>11,995</u> | <u>1,472</u> |
| Fixed assets, net | 5 | 141 | 157 |
| Long-term deposits | | 55 | 86 |
| | | <u>196</u> | <u>243</u> |
| Total Assets | | <u>12,191</u> | <u>1,715</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| <u>Current liabilities</u> | | | |
| Trade accounts payable | | 107 | 462 |
| Other current liabilities | 6 | 645 | 236 |
| | | <u>752</u> | <u>698</u> |
| Convertible notes | 10 | - | 4,740 |
| Other long-term liabilities | 8 | 1,410 | - |
| Shareholders' equity (deficit) (**) | 8 | | |
| Common stock - \$0.0001 par value | | 1 | (*) |
| Authorized: 50,000,000 and 9,904,081 as of December 31, 2016 and December 31, 2015, respectively | | | |
| Issued and outstanding: 9,294,463 and 940,028 as of December 31, 2016 and December 31, 2015, respectively | | | |
| Preferred series A stock - \$0.0001 par value (Motus Holdings) | | (*) | - |
| Authorized: 2,000,000 as of December 31, 2016 | | | |
| Issued and outstanding: 1,214,845 as of December 31, 2016 | | | |
| Preferred stock - \$0.0001 par value (Motus Holdings) | | - | - |
| Authorized: 8,000,000 as of December 31, 2016 | | | |
| Issued and outstanding: 0 as of December 31, 2016 | | | |
| Preferred A stock - \$0.0001 par value (Motus Ltd.) | | - | (*) |
| Authorized: 7,262,992 as of December 31, 2015 | | | |
| Issued and outstanding: 2,971,224 as of December 31, 2015 | | | |
| Additional paid-in capital | | 35,949 | 14,175 |
| Accumulated deficit | | (25,921) | (17,898) |
| Total shareholders' equity (deficit) | | <u>10,029</u> | <u>(3,723)</u> |
| Total liabilities and shareholders' equity | | <u>12,191</u> | <u>1,715</u> |

(*) Represents an amount less than one thousand.

(**) Number of shares as of December 31, 2015 has been retroactively adjusted based on the equivalent number of shares received by the accounting acquirer in the reverse recapitalization (see note 1A).

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

MOTUS GI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
Expressed in U.S. dollars in thousands, except share and per share information

| | <u>Note</u> | <u>Year ended December 31,</u> | |
|--|-------------|--------------------------------|----------------|
| | | <u>2016</u> | <u>2015</u> |
| Research and development expenses, net | 11 | 3,079 | 3,160 |
| Marketing expenses | 12 | 1,034 | 415 |
| General and administrative expenses | 13 | <u>1,894</u> | <u>1,750</u> |
| Operating loss | | 6,007 | 5,325 |
| Financing expenses, net | 14 | <u>1,966</u> | <u>637</u> |
| Loss before income taxes | | <u>7,973</u> | <u>5,962</u> |
| Income tax expenses | 15 | 50 | 29 |
| Net loss for the year | | <u>8,023</u> | <u>5,991</u> |
| Weighted average number of common shares outstanding used in computing basic and diluted loss per share (*) | 16 | <u>1,146,028</u> | <u>940,028</u> |
| Basic and diluted loss per common share | | <u>(7.00)</u> | <u>(6.37)</u> |
| Pro forma weighted average number of common shares outstanding used in computing basic and diluted loss per share (unaudited) (**) | | <u>1,179,311</u> | <u>-</u> |
| Basic and diluted loss per common share | | <u>(6.80)</u> | <u>-</u> |

(*) Number of shares has been retroactively adjusted based on the equivalent number of shares received by the accounting acquirer in the reverse recapitalization (see note 1A).

(**) See note 1.C.

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

MOTUS GI HOLDINGS, INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
Expressed in U.S. dollars in thousands, except share data

| | <u>Preferred stock - Motus Ltd. (pre- merger)</u> | | <u>Preferred series A stock</u> | | <u>Common Stock</u> | | <u>Additional paid in capital</u> | <u>Accumulated Deficit</u> | <u>Total shareholders' equity (deficit)</u> |
|--|---|------------|-------------------------------------|------------|---------------------------------|------------|---|--------------------------------|---|
| | <u>Number of shares (*)</u> | <u>USD</u> | <u>Number of shares (*)</u> | <u>USD</u> | <u>Number of shares (*)</u> | <u>USD</u> | | | |
| Balance as of January 1, 2015 | 2,630,446 | (**) | - | - | 940,028 | (**) | 12,650 | (11,907) | 743 |
| Issuance of preferred shares | 340,778 | (**) | - | - | - | - | 1,514 | - | 1,514 |
| Share-based compensation | - | - | - | - | - | - | 11 | - | 11 |
| Loss for the year | - | - | - | - | - | - | - | (5,991) | (5,991) |
| Balance as of December 31, 2015 | 2,971,224 | (**) | - | - | 940,028 | (**) | 14,175 | (17,898) | (3,723) |
| Conversion of convertible notes | 3,243,768 | (**) | - | - | - | - | 16,253 | - | 16,253 |
| Exercise of warrants | - | - | - | - | 88,748 | (**) | - | - | - |
| Effect of reverse recapitalization transaction | (6,214,992) | (**) | 1,214,845 | (**) | 8,265,687 | 1 | 5,467 | - | 5,468 |
| Share-based compensation | - | - | - | - | - | - | 54 | - | 54 |
| Net loss for the year | - | - | - | - | - | - | - | (8,023) | (8,023) |
| Balance as of December 31, 2016 | - | - | 1,214,845 | (**) | 9,294,463 | 1 | 35,949 | (25,921) | 10,029 |

(*) Number of shares as of December 31, 2015 has been retroactively adjusted based on the equivalent number of shares received by the accounting acquirer in the reverse recapitalization (see note 1A).

(**) Represents an amount less than one thousand.

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

MOTUS GI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Expressed in U.S. dollars in thousands

| | Year ended December 31, | |
|---|--------------------------------|----------------|
| | 2016 | 2015 |
| <u>CASH FLOWS - OPERATING ACTIVITIES</u> | | |
| Loss for the year | (8,023) | (5,991) |
| Adjustments to reconcile loss to net cash from operating activities (Appendix A) | 1,897 | 1,068 |
| Net cash used in operating activities | (6,126) | (4,923) |
| <u>CASH FLOWS - INVESTING ACTIVITIES</u> | | |
| Acquisition of fixed assets | (30) | (68) |
| Decrease (Increase) in long-term deposit | 31 | (86) |
| Decrease (Increase) in restricted cash | (7) | - |
| Net cash used in investing activities | (6) | (154) |
| <u>CASH FLOWS - FINANCING ACTIVITIES</u> | | |
| Proceeds from issuance of shares, net | - | 1,514 |
| Cash acquired in connection with the reverse recapitalization, net (see note 1A) | 6,878 | - |
| Proceeds from issuance of convertible notes | 9,606 | 4,107 |
| Net cash provided by financing activities | 16,484 | 5,621 |
| Increase in cash and cash equivalents | 10,352 | 544 |
| Cash and cash equivalents at the beginning of the year | 1,292 | 748 |
| Cash and cash equivalents at the end of the year | 11,644 | 1,292 |

Significant Non-Cash Transactions:

Non-cash financing and investing activities:

| | | |
|--|----|--------|
| Convertible notes exchanged for common and preferred stock | \$ | 16,253 |
|--|----|--------|

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

MOTUS GI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Expressed in U.S. dollars in thousands

Appendix A - Adjustments to reconcile loss to net cash from operating activities:

| | <u>Year ended December 31,</u> | |
|--|---------------------------------------|---------------------|
| | <u>2016</u> | <u>2015</u> |
| Items not involving cash flows: | | |
| Depreciation | 46 | 45 |
| Interest and revaluation of convertible notes | 1,907 | 633 |
| Share-based compensation expense | 54 | 11 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in other current assets | (83) | 49 |
| Increase in inventory | (81) | - |
| Increase (decrease) in trade accounts payable | (355) | 371 |
| Increase (decrease) in other payables | 409 | (41) |
| Total adjustments to reconcile loss to net cash from operating activities | <u>1,897</u> | <u>1,068</u> |

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

MOTUS GI HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL

A. ORGANIZATION AND BUSINESS

Organization

Motus GI Holdings, Inc. (the “Company”) was incorporated in Delaware, U.S.A. in September 2016. The Company was established for the purpose of raising capital for the recapitalization of Motus GI Medical Technologies, Ltd. (“Motus, Ltd.”), a company incorporated in Israel and its then wholly owned subsidiary Motus GI, Inc. (“Motus, Inc.”), a company incorporated in Delaware, U.S.A.

On December 22, 2016, the Company acquired (the “Recapitalization Transaction”) 100% of the outstanding shares of Motus, Ltd. pursuant to a capital stock exchange agreement dated December 1, 2016, between the Company and the shareholders of Motus, Ltd. (the “Exchange Agreement”). In exchange for the outstanding shares of Motus, Ltd., the Company issued to the shareholders of Motus, Ltd. a total of 4,000,000 of the Company’s common shares representing approximately 69% of the total shares then issued and outstanding after giving effect to the Recapitalization Transaction. As a result of the Recapitalization Transaction, Motus, Ltd. became a wholly owned subsidiary of the Company. The Recapitalization Transaction was accounted for as a reverse recapitalization of Motus, Ltd. As the shareholders of Motus, Ltd. received the largest ownership interest in the Company, Motus, Ltd. was determined to be the “accounting acquirer” in the reverse recapitalization. As a result, the historical financial statements of the Company were replaced with the historical financial statements of Motus, Ltd.

Cash acquired in connection with the reverse capitalization per the statement of cash flows refers to the total net cash from the first closing of the 2017 Private Placement (gross proceeds of \$8.077 million less approximately \$1.2 million in issuance costs). A schedule showing assets acquired and liabilities assumed is as follows:

| | Year ended December 31, 2016 |
|---|---------------------------------|
| Other long-term liabilities | \$ 1,410 |
| Reverse recapitalization effect on equity | \$ 5,468 |
| Cash acquired upon reverse recapitalization | \$ 6,878 |

On December 31, 2016, the Company executed a stock purchase agreement to acquire Motus, Inc. from Motus, Ltd resulting in Motus, Inc. becoming a wholly owned subsidiary of the Company.

The Company and its subsidiaries, Motus, Ltd. and Motus, Inc., are collectively referred to as the “Company”.

Business

The Company has developed the Pure-Vu system, approved by the FDA, that cleanses the colon during a colonoscopy procedure thereby reducing the dependency on pre-procedural colonoscopy preparation regimens to ensure clear visualization of the colon mucosa which is critical to procedural success. The Pure-Vu system has been designed to integrate with standard colonoscopes to enable cleaning during the procedure while preserving standard procedural workflow and techniques. The Pure-Vu system, which received FDA 510(k) clearance in September 2016, has the potential to give the gastroenterologist flexibility in instructing patients how to prepare for a colonoscopy, which currently requires extensive, time consuming and unpleasant bowel preparation regimens. The Company believes the Pure-Vu system has the potential to improve procedure quality, clinical outcomes and patient satisfaction while simultaneously lowering costs and improving margins for hospitals and increasing revenues and improving margins for outpatient colonoscopy clinics.

MOTUS GI HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL (Cont.)

B. Going Concern

To date the Company has generated minimal revenues from its activities and has incurred substantial operating losses. Management expects the Company to continue to generate substantial operating losses and to continue to fund its operations primarily through utilization of its current financial resources, future product sales, and through additional raises of capital.

Such conditions raise substantial doubts about the Company's ability to continue as a going concern. Management's plan includes revenue generation through the sale of products and raising funds from outside investors. However, there is no assurance that such sale of products will occur or that outside funding will be available to the Company, will be obtained on favorable terms or will provide the Company with sufficient capital to meet its objectives. These financial statements do not include any adjustments relating to the recoverability and classification of assets, carrying amounts or the amount and classification of liabilities that may be required should the Company be unable to continue as a going concern.

C. Unaudited Pro Forma Consolidated Balance Sheet and Statement of Comprehensive Loss Information

Immediately upon the closing of the initial public offering contemplated by the Company, all outstanding shares of Series A convertible preferred stock will automatically convert into shares of common stock.

Pro forma basic and diluted net loss per share were computed to give effect to the conversion of all of our outstanding shares of Series A Convertible Preferred Stock into an aggregate of 1,214,845 shares of common stock as of December 31, 2016 using the as-if converted method as though the conversion had occurred as of the beginning of the period or the original date of issuance, if later.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the financial statements are as follows:

A. Basis of presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

B. Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Functional currency and foreign currency translation

The functional currency of the Company is the U.S. dollar ("dollar") since the dollar is the currency of the primary economic environment in which the Company has operated and expects to continue to operate in the foreseeable future.

Transactions and balances denominated in dollars are presented at their original amounts. Transactions and balances denominated in foreign currencies have been re-measured to dollars in accordance with the provisions of ASC 830-10, "Foreign Currency Translation".

All transaction gains and losses from re-measurement of monetary balance sheet items denominated in non-dollar currencies are reflected in the statement of operations as financial income or expenses, as appropriate.

MOTUS GI HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. Consolidation

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Motus Ltd., an Israel corporation, which has operations in Haifa, Israel, and Motus Inc., a Delaware corporation, which has operations in the U.S. All inter-company accounts and transactions have been eliminated in consolidation.

E. Cash and cash equivalents, net

The Company considers all highly liquid short-term investments purchased with an original maturity date of three months or less to be cash equivalents. The Company had approximately \$11.6 million and \$1.3, on deposit in bank operating accounts at December 31, 2016 and 2015, respectively.

F. Fair value of financial instruments

The carrying values of cash and cash equivalents, other current assets, accounts payable, and other current liabilities approximate their fair value due to the short-term maturity of these instruments.

The Company measures the fair value of certain of its financial instruments (such as the liability related to royalty payments) on a recurring basis. The method of determining the fair value of other long-term liabilities is discussed in Note 8.

A fair value hierarchy is used to rank the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as unadjusted quoted prices for similar assets and liabilities, unadjusted quoted prices in the markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

G. Inventory

Inventories are stated at lower of cost or market using the weighted average cost method and are evaluated at least annually for impairment. Inventories at December 31, 2016 consisted of components to be used in the manufacturing of inventory. Write-downs for potentially obsolete or excess inventory are made based on management's analysis of inventory levels, historical obsolescence and future sales forecasts. There was no inventory at December 31, 2015.

MOTUS GI HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

H. Fixed assets, net

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated based on the straight-line method, at annual rates reflecting the estimate useful lives of the related assets, as follows:

| | <u>%</u> |
|------------------------|----------|
| Computers and software | 33 |
| Laboratory equipment | 15 |
| Leasehold improvements | 10 |

I. Stock-based compensation

The Company applies ASC 718-10, “Share-Based Payment,” which requires the measurement and recognition of compensation expenses for all share-based payment awards made to employees and directors including employee stock options under the Company’s stock plans based on estimated fair values.

ASC 718-10 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company’s statement of operations.

The Company recognizes compensation expenses for the value of non-employee awards, which have graded vesting, based on the straight-line method over the requisite service period of each award, net of estimated forfeitures.

The Company estimates the fair value of stock options granted as equity awards using a Black-Scholes options pricing model. The option-pricing model requires a number of assumptions, of which the most significant are share price, expected volatility and the expected option term (the time from the grant date until the options are exercised or expire). Expected volatility is estimated based on volatility of similar companies in the technology sector. The Company has historically not paid dividends and has no foreseeable plans to issue dividends. The risk-free interest rate is based on the yield from governmental zero-coupon bonds with an equivalent term. The expected option term is calculated for options granted to employees and directors using the “simplified” method. Grants to non-employees are based on the contractual term. Changes in the determination of each of the inputs can affect the fair value of the options granted and the results of operations of the Company.

MOTUS GI HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

J. Basic and diluted net loss per share

Basic loss per share is computed by dividing the net loss, as adjusted to include preferred shares dividend participation rights by the weighted average number of ordinary shares outstanding during the year. Shares and preferred shares contingently issuable for little or no cash are included in basic loss per share on an as issued basis.

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

The weighted average number of common shares outstanding has been retroactively restated for the equivalent number of common shares received by the accounting acquirer as a result of the reverse recapitalization as if these common shares had been outstanding as of the beginning of the earliest period presented.

Potentially dilutive common shares were excluded from the calculation of diluted loss per share for all periods presented due to their anti-dilutive effect. The number of anti-dilutive common shares which were excluded from the calculation is 2,251,148 and 3,263,717 for 2016 and 2015, respectively.

K. Research and development costs, net

Research and development expenses are charged to the statement of comprehensive loss as incurred. Grants received for funding of approved research and development projects are recognized at the time the Company is entitled to such grants, on the basis of the costs incurred and applied as a deduction from the research and development expenses.

L. Patent costs

Costs incurred in connection with acquiring patent rights and the protection of proprietary technologies are charged to expense as incurred.

M. Convertible notes

Convertible notes with characteristics of both liabilities and equity are classified as either debt or equity based on the characteristics of their monetary value, with convertible notes classified as debt being measured at fair value, in accordance with ASC 480-10, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity".

MOTUS GI HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

N. Liabilities due to termination of employment agreements

Under Israeli employment laws, employees of Motus Ltd. are included under Article 14 of the Severance Compensation Act, 1963 ("Article 14") for a portion of their salaries. According to Article 14, these employees are entitled to monthly deposits made by Motus Ltd. on their behalf with insurance companies.

Payments in accordance with Article 14 release Motus Ltd. from any future severance payments (under the Israeli Severance Compensation Act, 1963) with respect of those employees. The aforementioned deposits are not recorded as an asset in 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.

O. Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

P. Transaction Costs

Transaction costs incurred in the Recapitalization Transaction were charged directly to equity to the extent of cash and net other current assets acquired.

Q. Recent accounting standards

In May 2014, the Financial Accounting Standards Board (the "FASB") issued a new standard to achieve a consistent application of revenue recognition within the U.S., resulting in a single revenue model to be applied by reporting companies under U.S. generally accepted accounting principles. Under the new model, recognition of revenue occurs when a customer obtains control of the promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new standard requires that reporting companies disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective for us beginning in the first quarter of 2018; early adoption is prohibited. The new standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. As the Company has not incurred revenues to date, it is unable to determine the expected impact the new standard will have on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities", which provides targeted improvements to the recognition, measurement, presentation and disclosure of financial assets and financial liabilities. Specific accounting areas addressed include, equity investments, financial liabilities reported under the fair value option and valuation allowance assessment resulting from unrealized losses on available-for-sale securities. The standard also changes certain presentation and disclosure requirements for financial instruments. This ASU is effective for the Company in its first quarter of fiscal year 2019. Early adoption, with certain exceptions, is not permitted. The Company does not expect that the adoption of this standard will have a significant impact on the financial position or results of operations.

MOTUS GI HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Expressed in U.S. dollars in thousands

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Q. Recent accounting standards (Cont.)

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842) (“ASU 2016-02”), which amends, among other things, the existing guidance by requiring lessees to recognize lease assets (right-to-use) and liabilities (for reasonably certain lease payments) arising from operating leases on the balance sheet. For leases with a term of twelve months or less, ASU 2016-02 permits an entity to make an accounting policy election to recognize such leases as lease expense, generally on a straight-line basis over the lease term. ASU 2016-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 using a modified retrospective approach, with early adoption permitted. The Company is currently evaluating ASU 2016-02 and its impact on its consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”), which simplifies certain provisions associated with the accounting for stock compensation. Among other things, ASU 2016-09 requires companies to record excess tax benefits and tax deficiencies as income tax benefit or expense in the statement of income and eliminates the requirement to reclassify cash flows related to excess tax benefits from operating activities to financing activities in the statement of cash flows. ASU 2016-09 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016, with early adoption permitted. The Company is currently reviewing and evaluating this guidance and its impact on its consolidated financial statements.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, Financial Instruments – Credit Losses – Measurement of Credit Losses on Financial Instruments, which introduces a model based on expected losses to estimate credit losses for most financial assets and certain other instruments. In addition, for available-for-sale debt securities with unrealized losses, the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. The standard is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted for annual reporting periods beginning after December 15, 2018. The Company is evaluating the impact of the adoption on our consolidated balance sheet, results of operations, cash flows and disclosures.

NOTE 3 - OTHER CURRENT ASSETS

| | As of December 31, | |
|--|---------------------------|---------------|
| | 2016 | 2015 |
| Government institutions | \$ 41 | \$ 102 |
| Grant receivable from Israeli Innovation Authority | - | 53 |
| Advance to suppliers | 222 | - |
| Other | - | 25 |
| | \$ 263 | \$ 180 |

MOTUS GI HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Expressed in U.S. dollars in thousands

NOTE 4 - INVENTORY

| | As of December 31, | |
|------------|--------------------|------|
| | 2016 | 2015 |
| Components | \$ 81 | - |
| | \$ 81 | - |

NOTE 5 - FIXED ASSETS, NET

| | Computer and software | Leasehold improvements | Laboratory equipment | Total |
|----------------------------------|--------------------------|---------------------------|-------------------------|--------|
| Cost: | | | | |
| Balance - January 1, 2016 | \$ 106 | \$ 75 | \$ 120 | \$ 301 |
| Additions | 6 | 8 | 16 | 30 |
| Balance - December 31, 2016 | 112 | 83 | 136 | 331 |
| Accumulated depreciation: | | | | |
| Balance - January 1, 2016 | 84 | 13 | 47 | 144 |
| Additions | 21 | 8 | 17 | 46 |
| Balance - December 31, 2016 | 105 | 21 | 64 | 190 |
| Net book value: | | | | |
| December 31, 2016 | 7 | 62 | 72 | 141 |
| December 31, 2015 | \$ 22 | \$ 62 | \$ 73 | \$ 157 |

MOTUS GI HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Expressed in U.S. dollars in thousands

NOTE 6 - OTHER CURRENT LIABILITIES

| | As of December 31, | |
|---|---------------------------|-------------|
| | 2016 | 2015 |
| Wage-related liabilities (1) | \$ 342 | \$ 162 |
| Accrued expenses | 224 | 41 |
| Taxes payable | 79 | 29 |
| Other | - | 4 |
| | \$ 645 | \$ 236 |
| (1) Includes accrued vacation and convalescence pay | \$ 113 | \$ 57 |

NOTE 7 - COMMITMENTS AND CONTINGENCIES

- A.** Motus Ltd. received approval from the Israel Innovation Authority (previously the Office of the Chief Scientist) to participate in certain R&D programs from 2011 until 2016 within the framework of determined budgets and time periods. As of December 31, 2016, Motus Ltd. had received an accumulated amount of \$ 1,378,000 (“the Grant”).

According to the agreement with the Israel Innovation Authority, the Company will pay royalties of 3% of sales up to an amount equal to the accumulated grant received. Repayment of the grant is contingent upon the successful completion of the Company’s R&D programs and generating sales. The Company has no obligation to repay these grants, if the R&D program fails, is unsuccessful or aborted or if no sales are generated. The Company had not yet generated sales as of December 31, 2016; therefore, no liability was recorded in these consolidated financial statements.

- B.** Motus Ltd. entered into a lease agreement for its facilities on January 1, 2015. According to the lease agreement, Motus Ltd. will pay monthly rent of approximately \$7,000. This agreement is for a period of 5 years ending on December 31, 2019, and Motus Ltd. has an option to renew the agreement for an additional 3-year period.
- C.** The Company has a severance liability to its CEO and COO of approximately \$ 400,000 in the event that they are terminated or leave due to good cause, as outlined in their employee agreements. Management estimates that the likelihood of payment is remote; therefore, no liability was reflected in these consolidated financial statements.

MOTUS GI HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - SHARE CAPITAL

Formation shares

During October and November 2016, the Company issued 1,650,000 common shares pursuant to the formation of the Company.

Shares exchange

As detailed in Note 1, during the Recapitalization Transaction the Company issued 4,000,000 common shares in exchange for 100% of the issued and outstanding and preferred shares of Motus Ltd.

Registration Rights

In connection with the 2017 Private Placement, the Company entered into a registration rights agreement (the "Registration Rights Agreement") with the 2017 Private Placement investors, (the "Investors"). The Company is required to file with the SEC after the date of the final closing of the 2017 Private Placement (the "Registration Filing Date"), a registration statement covering the resale of the shares of our common stock held by the Investors (the "Investor Shares") issued in the 2017 Private Placement, as well as the shares of our common stock underlying the Series A Convertible Preferred Stock issued in the 2017 Private Placement (together with the Investor Shares, the "Registrable Securities"). The Company is also required to use commercially reasonable efforts to have the registration statement declared effective within one hundred and fifty (150) days after the registration statement is filed (the "Effectiveness Deadline"); provided however, that if the Company signs a letter of intent or comparable agreement with an underwriter which contemplates an Initial Public Offering ("IPO") or holds an organizational meeting for an IPO, or otherwise orally engages an underwriter to begin working with the Company towards an IPO prior to the Effectiveness Deadline (the "IPO Process Commencement Date"), then the Company shall file a joint registration statement covering the primary shares to be issued in the IPO and the resale of the Registrable Securities, and in such event the Registration Filing Date shall be extended to a date that is seventy five (75) calendar days after the IPO Process Commencement Date and the Effectiveness Deadline shall be extended to a date that is one hundred twenty (120) calendar days after the initial filing of the Registration Statement with the Commission. If the IPO is abandoned at any time, then the Registration Filing Date will be sixty (60) calendar days from the actual date of abandonment and the Effectiveness Deadline will be one hundred and fifty (150) calendar days after the date of abandonment. The Company is also required to keep the registration statement continuously effective under the Securities Act for a period of one year or for such shorter period ending on the earlier to occur of the date when all the Registrable Securities covered by the registration statement have been sold or such time as all of the Registrable Securities covered by the registration statement can be sold under Rule 144 without any volume limitations.

If this registration statement is not declared effective on or before the Effectiveness Deadline, the Company will be required to pay to each holder of Registrable Securities purchased in the 2017 Private Placement an amount in cash equal to one-half of one percent (0.5%) of such holder's investment amount on every thirty (30) day anniversary of such Effectiveness Deadline until such failure is cured. The payment amount shall be prorated for partial thirty (30) day periods. The maximum aggregate amount of payments to be made by us as the result of such failure, shall be an amount equal to six percent (6%) of each holder's investment amount. Notwithstanding the foregoing, no payments shall be owed with respect to any period during which all of the holder's Registrable Securities may be sold by such holder without restriction under Rule 144.

The Company shall keep the registration statement "evergreen" for one (1) year from the date it is declared effective by the SEC or until Rule 144 of the Securities Act is available to the holders of Registrable Securities purchased in the 2017 Private Placement with respect to all of their shares, whichever is earlier.

Private placement

On December 22, 2016, prior to the consummation of the Recapitalization Transaction, the Company consummated a private placement transaction as part of the Recapitalization Transaction. The private placement consisted of units each consisting of three-quarter of a share of common stock, par value \$0.0001 and one-quarter a share of convertible preferred series A stock, par value \$0.0001.

Pursuant to the private placement, on December 22, 2016, the Company issued 1,211,655 common shares and 403,885 preferred shares for total consideration of \$8,077,000.

Each share of preferred series A stock is initially convertible at the option of the holder into one share of common stock. Each share of series A preferred stock will automatically convert into common stock at the earliest to occur of (a) three years from the initial closing of the private placement or (b) notice by the Company to the holders of series A preferred stock that the Company has elected to convert all outstanding shares ("mandatory conversion date"). Holders of the series A preferred stock will not be entitled to receive dividends. The preferred stockholders will vote on an as-converted basis with the common stockholders, and upon any liquidation, dissolution or winding-up of the Company, the holders of the series A preferred stock will be entitled to receive, for each share of preferred stock an amount equal to the stated value plus any accrued and unpaid dividends thereon before any distribution or payment may be made to the common stockholders.

The series A preferred stock includes the right, as a group, to receive: (i) a percentage of the net sales of the Pure-Vu™ medical device system, and (ii) a percentage of the proceeds, if any, received by the Company in connection with the licensing of the

Pure-Vu™ system (“Royalty Payment Rights”). For additional information, see “Royalty payment rights on series A preferred stock” on the following page.

Exchange of convertible notes

On December 22, 2016, Motus Ltd. held convertible notes in the amount of \$14,596,683, inclusive of accrued interest. In connection with the Recapitalization Transaction, the Company exchanged the convertible notes for approximately 2,432,808 shares of common stock and 810,960 shares of series A preferred stock.

MOTUS GI HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - SHARE CAPITAL (Cont.)

Convertible notes warrants

As a result of the Recapitalization Transaction, the Company issued 907,237 convertible note warrants (the “CNA Warrants”) to replace the warrants previously issued to the convertible note holders. The five-year warrants are exercisable for the Company’s common stock at an exercise price of \$5.00 per share.

Royalty payment rights on series A preferred stock

The Royalty Payment Rights entitle the holders in aggregate, to a royalty in an amount of:

- 3% of net sales subject to a maximum in any calendar year equal to the total dollar amount of units closed on in the private placement offering; and
- 5% of licensing proceeds subject to a maximum in any calendar year equal to the total dollar amount of units closed on in the private placement.

Even if converted pursuant to the mandatory conversion as defined above, the royalty right certificate will remain in the hands of the holder in addition to the common stock to be issued following conversion.

If converted at the option of the holder prior to the mandatory conversion, the holder will lose all rights to future royalty payments.

The royalty rights certificate was recorded as a liability at fair value in the consolidated financial statements at December 31, 2016. The Company recognized a liability at fair value as “other long-term liabilities” with regard to the Royalty Payment Rights in an amount of \$1,282,000. The fair value adjustment from the date of inception on December 22, 2016 until December 31, 2016 was immaterial.

In addition, the Company issued a royalty rights certificate to the agent with substantially similar terms as those of the Series A Convertible Preferred Stock, which grants the agent the right, in the aggregate, to receive 10% of the amount of payments paid to the holders of the Series A Convertible Preferred Stock.

The Company measured the fair value according to the discounted cash flow method. The fair value was allocated to the royalty rights and the residual value was allocated to the preferred shares and recorded as equity. The following assumptions (level 3 measurements) were used:

| | <u>Year ended December 31,</u> | |
|---------------|---------------------------------------|--------------------|
| | <u>2016</u> | <u>2015</u> |
| Discount rate | 20% | - |

In accordance with ASC-820-10-50-2(g), the Company performed a sensitivity analysis of the liability, which was classified as a level 3 financial instrument. The Company recalculated the fair value of the liability by applying a +/- 2% change to the input variable in the discounted cash flow model, namely, the discount rate. A 2% decrease in the discount rate would increase the liability by approximately \$150,000; a 2% increase in the discount rate would decrease the liability by approximately \$131,000.

MOTUS GI HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - SHARE-BASED COMPENSATION

Employee stock option grant

The Company has one valid option plan that was approved in 2009. This plan was adjusted in 2016 following the reverse recapitalization transaction on December 22, 2016.

According to the original plan, employees and service providers were entitled to receive options to purchase common shares of Motus Ltd. Following the recapitalization, the options granted will entitle their holder to purchase common shares of the Company. As a result, the number of options and exercise price per share were adjusted in a technical manner such that there was no change in the fair value of the awards under the adjusted plan. All number of options and exercise prices in this Note have been restated to reflect the adjusted option plan.

The following table presents the number of options outstanding according to the terms of the adjusted plan compared to the original plan:

| | As of December 31, 2016 | |
|---------------------------|--------------------------------|----------------------|
| | Original Plan | Adjusted Plan |
| Total options outstanding | 1,757,730 | 125,730 |

From 2012 through 2015, the Company granted its employees, not including its CEO, options to purchase an aggregate of 90,108 shares of common stock of the Company at an exercise price ranging from \$2.38 to \$2.52 per share. The options will expire 10 years from the date of issuance. Some of the options have a vesting period of 3 years, while others are upon the achievement of certain milestones. The remaining unvested shares will vest upon 1) the Company's obtainment of CE approval of its system; and 2) upon the enrollment of the first patient in a post market study with a "prep-less" indication, or the sale of the first 1,000 disposables.

On April 2, 2014, the Company granted its CEO options to purchase 67,238 shares of the Company's common stock. Of the total options granted, 48,527 options will vest upon the achievement of certain milestones, as detailed, above and additional milestones including the gross return in multiples on preferred A shares. The remaining 18,711 will vest over a period of 3 years. The exercise price of the options are \$2.38 per share.

A summary of the Company's option activity related to options to employees and related information is as follows:

| | Shares | Weighted Average Exercise Price | Weighted average remaining contractual term (years) |
|---|---------------|--|--|
| Options outstanding, December 31, 2014 | 123,175 | \$ 2.38 | 9.7 |
| Options granted | 34,171 | 2.52 | |
| Options forfeited or expired | (38,053) | 2.38 | |
| Options outstanding, December 31, 2015 | 119,293 | 2.42 | 9 |
| Options forfeited or expired | (8,582) | 2.38 | |
| Options outstanding, December 31, 2016 | 110,711 | \$ 2.42 | 8 |

MOTUS GI HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - SHARE-BASED COMPENSATION (Cont.)

The number of options that had vested as of December 31, 2016 and December 31, 2015 was 67,908 and 35,524, respectively.

The aggregate intrinsic value (the difference between the fair market value of the Company's common shares on December 31, 2016 and December 31, 2015, respectively and the exercise price, multiplied by the number of in-the-money options on those dates) was \$175,203 and \$0 as of December 31, 2016 and December 31, 2015, respectively.

Compensation expense recorded by the Company in respect of options granted in accordance with ASC 718-10 for the years ended December 31, 2016 and 2015 amounted to \$20 thousand and \$11 thousand, respectively.

The fair value of the options is estimated at the date of grant using Black-Scholes options pricing model with the following assumptions (level 3 measurement) used in the calculation:

| | Year ended December 31, | |
|--------------------------|--------------------------------|-------------|
| | 2016 | 2015 |
| Expected volatility | 60% | 60% |
| Risk-free interest | 1.5% | 1.5% |
| Dividend yield | 0% | 0% |
| Expected life (in years) | 5 | 5 |

Options to service providers

The Company accounts for option to purchase common shares issued to non-employees using the guidance of ASC 505-50, "Equity-Based Payments to Non-Employees", whereby the fair value of such options is determined at the earlier of the date at which the non-employee's performance is completed or a performance commitment is reached.

In 2012 and 2014, the Company granted 7,510 and 7,509 options to its service providers, respectively, to purchase the Company's common stock at an exercise price of \$2.38 per share. The options vest over a period of 3 years and will expire 10 years from the date of issuance.

| | As of December 31, | |
|---------------------|---------------------------|-------------|
| | 2016 | 2015 |
| Options outstanding | 15,019 | 15,019 |
| Options vested | 11,392 | 7,490 |

Share-based compensation expense recorded by the Company with regard to options to service providers was \$34 thousand and \$0, as of December 31, 2016 and December 31, 2015, respectively.

MOTUS GI HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Expressed in U.S. dollars in thousands

NOTE 10 -CONVERTIBLE NOTES

On June 9, 2015, Motus Ltd. signed a convertible note agreement with a number of lenders according to which the Company received approximately \$4.1 million. During 2016, Motus Ltd. signed three additional amendments to the original agreement to raise an additional amount of approximately \$9.6 million. The convertible notes accrued annual interest of 10%. In addition, each lender received options to purchase ordinary shares of Motus Ltd. in an amount equal to 33% of the amount received. As a part of the Recapitalization Transaction, the convertible notes were converted into common shares of the Company. See Note 8 for details regarding this transaction.

The Company concluded the value of the convertible notes were predominantly based on a fixed monetary amount known at the date of issuance as represented by the 10% discount on the Motus Ltd.'s common shares to be sold in a qualified financing round (as defined in Motus Ltd.'s Articles of Association). Accordingly, the convertible note was classified as debt and was measured at its fair value, pursuant to the provisions of ASC 480-10, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity". The fair value of the convertible note was measured based on observable inputs as the fixed monetary value of the variable number of shares to be issued upon conversion (level 2 measurement).

NOTE 11 -RESEARCH AND DEVELOPMENT EXPENSES, NET

| | Year ended December 31, | |
|----------------------------------|--------------------------------|-----------------|
| | 2016 | 2015 |
| Salaries and fringe benefits (*) | \$ 1,059 | \$ 1,258 |
| Subcontractors | 1,473 | 1,026 |
| Clinical Study | 245 | - |
| Materials | 143 | 1,044 |
| Patents | 215 | 92 |
| Travel | 58 | 65 |
| Other | 30 | - |
| Deprecation | 12 | 38 |
| | <u>3,235</u> | <u>3,523</u> |
| Less government grants | (156) | (363) |
| | <u>\$ 3,079</u> | <u>\$ 3,160</u> |

(*) Includes share-based compensation expenses in the amount of \$24 thousand and \$11 thousand for the years ended in December 31, 2016 and December 31, 2015, respectively.

MOTUS GI HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Expressed in U.S. dollars in thousands

NOTE 12 -MARKETING EXPENSES

| | <u>Year ended December 31,</u> | |
|----------------------------------|---------------------------------------|----------------------|
| | <u>2016</u> | <u>2015</u> |
| Salaries and fringe benefits (*) | \$ 824 | \$ 203 |
| Professional services | 64 | 209 |
| Travel | 84 | - |
| Others | 62 | 3 |
| | <u>\$ 1,034</u> | <u>\$ 415</u> |

(*) Includes share-based compensation expenses in the amount of \$6 thousand for the year ended December 31, 2016.

NOTE 13 -GENERAL AND ADMINISTRATIVE EXPENSES

| | <u>Year ended December 31,</u> | |
|----------------------------------|---------------------------------------|------------------------|
| | <u>2016</u> | <u>2015</u> |
| Salaries and fringe benefits (*) | \$ 705 | \$ 874 |
| Rental fees | 115 | 149 |
| Professional services | 449 | 405 |
| Other salaries benefits (**) | 146 | 147 |
| Office expenses | 129 | 102 |
| Depreciation | 34 | 7 |
| Travel | 122 | 3 |
| Others | 194 | 63 |
| | <u>\$ 1,894</u> | <u>\$ 1,750</u> |

(*) Includes share based payment expenses in the amount of \$24 thousand for the year ended December 31, 2016.

(**)Includes vehicles maintenance and benefits for all employees.

MOTUS GI HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Expressed in U.S. dollars in thousands

NOTE 14 -FINANCE EXPENSES, NET

| | <u>Year ended December 31,</u> | |
|--|---------------------------------------|----------------------|
| | <u>2016</u> | <u>2015</u> |
| Bank fees and interest | \$ 86 | \$ 5 |
| Change in fair value and interest on convertible notes | 1,907 | 633 |
| Exchange rate differences | (27) | (1) |
| | <u>\$ 1,966</u> | <u>\$ 637</u> |

NOTE 15 -INCOME TAXES

The Company is subject to income taxes under Israeli and U.S. tax laws:

Corporate tax rates

The Company is subject to Israeli corporate income tax rate of 26.5% in 2015, 25% in 2016, 24% in 2017, and 23% from 2018 and years thereafter.

The Company is subject to a blended U.S. income tax rate (federal as well as state corporate tax) of approximately 35%.

- A. As of December 31, 2016, the Company generated net operating losses in Israel of approximately \$25,628 thousand which may be carried forward and offset against taxable income in the future for an indefinite period.
- B. The Company is still in its development stage and has not yet generated revenues; therefore, it is more likely than not that sufficient taxable income will not be available for the tax losses to be utilized in the future. Therefore, a valuation allowance was recorded to reduce the deferred tax assets to its recoverable amounts.

| | <u>As of December 31,</u> | |
|------------------------|----------------------------------|--------------------|
| | <u>2016</u> | <u>2015</u> |
| Deferred tax asset: | | |
| Net loss carry-forward | \$ 6,151 | \$ 4,670 |
| Valuation allowance | (6,151) | (4,670) |
| Net deferred tax asset | <u>\$ -</u> | <u>\$ -</u> |

MOTUS GI HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 - BASIC AND DILUTED NET LOSS PER COMMON SHARE

The basic and diluted net loss per share and weighted average number of common shares used in the calculation of basic and diluted net loss per share are as follows (in thousands, except share and per share data):

As the inclusion of common share equivalents in the calculation would be anti-dilutive for all periods presented, diluted net loss per share is the same as basic net loss per share.

The weighted average number of common shares outstanding has been retroactively restated as of December 31, 2015 to reflect the equivalent number of common shares received by the accounting acquirer as a result of the reverse recapitalization as if these common shares had been outstanding as of the beginning of the earliest period presented.

NOTE 17 - SUBSEQUENT EVENTS

The Company has analyzed its operations subsequent to December 31, 2016 through April 7, 2017, the issuance date of the financial statements, and noted the following subsequent events:

- A. On January 30, 2017, the Company completed the second closing of the private placement (see Note 8). The Company raised \$2.9 million for 146,865 units consisting of 3/4 common stock and 1/4 series A preferred stock.
- B. On February 24, 2017, the Company completed the third and final closing of the private placement (see Note 8). The Company raised \$4.4 million for 219,418 units consisting of 3/4 common stock and 1/4 series A preferred stock.
- C. In connection with the aforementioned private placement, the Company issued 403,632 warrants to purchase 403,632 of the Company's common stock to the placement agent at an exercise price equal to the fair value of the common stock on the grant date. The warrants are exercisable for a period of 5 years from the grant date and provide for a cashless exercise.

Until , 2018 (the 25th day after the commencement of this offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as an underwriter and with respect to their unsold allotments or subscriptions.

MOTUS GI HOLDINGS, INC.

4,250,000 Shares
Common Stock

Piper Jaffray

Oppenheimer & Co.

PROSPECTUS

, 2018

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth all fees and expenses to be paid by us, other than estimated underwriting discounts and commissions, in connection with this offering. All amounts shown are estimates except for the SEC registration fee, the FINRA filing fee and the Nasdaq Market initial listing fee.

| | <u>Amount</u> |
|--|---------------|
| SEC Registration Fee | \$ 4,260.00 |
| FINRA filing fee | \$ 5,631.88 |
| Nasdaq Market initial listing fee | \$ 70,000.00 |
| Printing and engraving expenses | \$ 20,000.00 |
| Accounting Fees and Expenses | \$ 75,000.00 |
| Transfer agent and registrar fees and expenses | \$ 10,000.00 |
| Legal Fees and Expenses | \$ 710,000.00 |
| Miscellaneous Fees and Expenses | \$ 5,108.12 |
| Total Expenses | \$ 900,000.00 |

ITEM 14. INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 145 of the Delaware General Corporation Law (the "DGCL") provides, in general, that a corporation incorporated under the laws of the State of Delaware, as we are, may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (other than a derivative action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. In the case of a derivative action, a Delaware corporation may indemnify any such person against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification will be made in respect of any claim, issue or matter as to which such person will have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of the State of Delaware or any other court in which such action was brought determines such person is fairly and reasonably entitled to indemnity for such expenses.

Our certificate of incorporation and bylaws provide that we will indemnify our directors, officers, employees and agents to the extent and in the manner permitted by the provisions of the DGCL, as amended from time to time, subject to any permissible expansion or limitation of such indemnification, as may be set forth in any amendment by stockholders or directors resolution.

Any repeal or modification of these provisions approved by our stockholders will be prospective only and will not adversely affect any limitation on the liability of any of our directors or officers existing as of the time of such repeal or modification.

We have director and officer liability insurance to cover liabilities our directors and officers may incur in connection with their services to us, including matters arising under the Securities Act.

We have entered into indemnification agreements with all of our directors and named executive officers whereby we have agreed to indemnify those directors and officers to the fullest extent permitted by law, including indemnification against expenses and liabilities incurred in legal proceedings to which the director or officer was, or is threatened to be made, a party by reason of the fact that such director or officer is or was a director, officer, employee or agent of Motus GI Holdings, Inc. (the "Company"), provided that such director or officer acted in good faith and in a manner that the director or officer reasonably believed to be in, or not opposed to, the best interests of the Company.

The Underwriting Agreement to be filed as Exhibit 1.1 to this registration statement provides for indemnification by the underwriters of us, our executive officers and directors, and by us of the underwriters for certain liabilities, including liabilities arising under the Securities Act and otherwise.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

Since September 2016 (date of inception) , the Company made sales of the following unregistered securities:

Original Issuances of Stock, Warrants and Payment Rights Certificates

Formation of Holdings

In connection with our formation in September 2016, we sold an aggregate of 1,650,000 shares of our common stock for an aggregate of \$82,500 (\$0.05 per share), which includes 450,000 shares of our common stock owned by an affiliate of the placement agent ("Placement Agent") for our private placement, for which closings occurred December 22, 2016 through February 24, 2017 (the "2017 Private Placement"), described below.

2017 Private Placement

From December 2016 through February of 2017, we sold an aggregate of 4,743,311 shares of our common stock and 1,581,128 shares of Series A Convertible Preferred Stock at a price of \$5.00 per Unit, inclusive of 2,432,808 shares of our common stock and 810,960 shares of Series A Convertible Preferred Stock issued pursuant to the Exchange of Convertible Notes, to 229 accredited investors.

In connection with the 2017 Private Placement, we issued (i) the Placement Agent Warrants to the Placement Agent to purchase 403,632 shares of our common stock with an exercise price of \$5.00 per share and (ii) the Placement Agent Royalty Payment Rights Certificates to receive, in the aggregate, 10% of the amount of payments paid to the holders of the Series A Convertible Preferred Stock, or the holders of the Royalty Payment Rights Certificates, upon the conversion of the Series A Convertible Preferred Stock into shares of our common stock.

Share Exchange Transaction

On December 1, 2016 Motus GI Medical Technologies Ltd. (“Opco”), and the holders of all issued and outstanding shares of capital stock of Opco (the “Opco Stockholders”), entered into a share exchange agreement (the “Share Exchange Agreement”) with us. Pursuant to the terms of the Share Exchange Agreement, as a condition of and contemporaneously with the initial closing (the “Initial Closing”) of the 2017 Private Placement, the Opco Stockholders sold to us, and we acquired, all of the issued and outstanding shares of capital stock of Opco (the “Share Exchange Transaction”) and Opco became our wholly-owned subsidiary. Pursuant to the Share Exchange Transaction (i) the Opco Stockholders received an aggregate of 4,000,000 shares of our common stock in exchange for all of the issued and outstanding shares of capital stock of Opco, (ii) the Convertible Notes (as defined below) and the Convertible Note Warrants (as defined below) were exchanged for our securities, as described below, and (iii) all of the issued and outstanding options to purchase or otherwise acquire shares of Opco capital stock that were outstanding and unexercised as of immediately prior to the Initial Closing were substituted for 125,730 options to acquire shares of our common stock pursuant to our 2016 Equity Incentive Plan.

Exchange of Convertible Notes

Pursuant to the terms of a convertible note agreement (the “CNA”), as amended, Opco issued convertible notes (the “Convertible Notes”) in a series of closings from June 2015 through November 2016, in an aggregate amount of \$14,596,683 (inclusive of accrued interest through December 22, 2016, the date of the Initial Closing). Certain related parties purchased Convertible Notes pursuant to the CNA, see “Certain Relationships and Related Party Transactions - Convertible Note, Convertible Warrant, and 2017 Private Placement - Related Party Participation.” At the Initial Closing, the holders of the Convertible Notes (“Convertible Holders”) exchanged their Convertible Notes (the “Exchange of Convertible Notes”), together with accrued and unpaid interest thereon calculated through the date of the Initial Closing at a rate of 10% per annum, for Units of the 2017 Private Placement, at a price of \$4.50 per Unit. As a result, upon consummation of the Initial Closing, the Convertible Notes were exchanged for Units representing (i) 2,432,808 shares of our common stock (inclusive of shares of our common stock resulting from the accrued and unpaid interest of the Convertible Notes through the date of the Initial Closing) and (ii) 810,960 shares of Series A Convertible Preferred Stock (inclusive of shares of Series A Convertible Preferred Stock resulting from the accrued and unpaid interest of the Convertible Notes through the date of the Initial Closing).

Exchange of Convertible Note Warrants

In connection with, and pursuant to the terms of, the CNA, each Convertible Holder also received a seven (7) year warrant (the “Convertible Note Warrants”) to purchase Preferred A Shares of Opco, nominal value in Israeli New Shekel (“NIS”) 0.01 per share, with an exercise price per share of \$1.00 (the “Convertible Note Warrant Exercise Price”). Each Convertible Note Warrant entitled the holder to purchase that number of shares of Preferred A Shares of Opco equal to thirty-three percent (33%) of the principal amount of the Convertible Note in connection with which it was issued. Convertible Note Warrants to purchase an aggregate 4,536,188 shares of Preferred A Shares of Opco with an exercise price of \$1.00 were issued in connection with the CNA. Certain related parties held Convertible Note Warrants pursuant to the CNA, see “Certain Relationships and Related Party Transactions - Convertible Note, Convertible Warrant, and 2017 Private Placement - Related Party Participation.” At the Initial Closing, the holders of the Convertible Note Warrants exchanged their Convertible Note Warrants for five (5) year warrants (the “Exchange Warrants”) to purchase an aggregate 907,237 shares of our common stock at an exercise price of \$5.00 per share, such amount being equal to thirty-three percent (33%) of the principal amount of the Convertible Notes divided by \$5.00.

Service Provider Stock and Warrants

In May 2017, we issued a service provider (a) 90,000 shares of our common stock, subject to a lock-up agreement, and (b) five (5) year warrants to purchase 30,000 shares of our common stock with an exercise price of \$8.00 per share, as partial payment for services pursuant to a consulting agreement between the service provider and us.

During August, September, and October of 2017, we issued a service provider an aggregate of 4,167 shares, pursuant to the terms of the agreement with such service provider.

Ten Percent Warrants

Upon the completion of this offering, we will issue warrants to certain of our Series A Convertible Preferred Stock holders, pursuant to an amendment to our Registration Rights Agreement and an amendment to the Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock, to purchase shares of our common stock (the “Ten Percent Warrants”). The Ten Percent Warrants are exercisable for our common stock at an exercise price equal to the offering price per share in this offering. The Ten Percent Warrants are exercisable any time on or after the 180 day anniversary of the completion of this offering, have a five year term, and provide for cashless exercise. No fractional shares will be issued upon the exercise of the Ten Percent Warrants.

Conversion of Series A Convertible Preferred Stock

Upon the consummation of this offering, all outstanding shares of our Series A Convertible Preferred Stock will be converted into shares of our common stock. At such time we will issue (i) 1,581,128 shares of our common stock and (ii) the Royalty Payment Rights Certificates to each former holder of our Series A Convertible Preferred Stock, entitling the holders of such Royalty Payment Rights Certificates to the same Royalty Payment Rights as were included in the Series A Convertible Preferred Stock.

Issuance Pursuant to Exercise of Stock Option

In May 2017, we issued 754 shares of our common stock pursuant to the exercise of a stock option.



Stock Options

Since September 2016 (date of inception) , we have granted stock options under our 2016 Equity Incentive Plan to purchase an aggregate of 2,146,499 shares of our common stock, at exercise prices ranging from \$2.38 to the offering price per share in this offering. Pursuant to the terms of the 2016 Equity Incentive Plan, as of November 15, 2017, 1,438 of the shares covered by such grants have been exercised and 261,216 of the shares covered by such grants have been forfeited, cancelled, returned to us for failure to satisfy vesting requirements or otherwise terminated without payment, and such shares are no longer counted against the maximum share limitation of the 2016 Equity Incentive Plan.

Unrestricted Stock Awards

Since September 2016 (date of inception) , we have granted unrestricted stock awards under our 2016 Equity Incentive Plan for an aggregate of 5,000 shares of our common stock.

Securities Act Exemptions

We deemed the offers, sales and issuances of the securities described above under “Original Issuances of Stock, Warrants and Payment Rights Certificates” to be exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”), in reliance on Section 4(a)(2) of the Securities Act, including Regulation D and Rule 506 promulgated thereunder, relative to transactions by an issuer not involving a public offering. All purchasers of securities in transactions exempt from registration pursuant to Regulation D represented to us that they were accredited investors and were acquiring the shares for investment purposes only and not with a view to, or for sale in connection with, any distribution thereof and that they could bear the risks of the investment and could hold the securities for an indefinite period of time. The purchasers received written disclosures that the securities had not been registered under the Securities Act and that any resale must be made pursuant to a registration statement or an available exemption from such registration.

We deemed the grants of stock options and issuances of our common stock upon exercise of such options, and the restricted share awards, described above under “Stock Options” to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act, including Regulation D and Rule 506 promulgated thereunder and Rule 701 of the Securities Act as offers and sales of securities under compensatory benefit plans and contracts relating to compensation in compliance with Rule 701. Each of the recipients of securities in any transaction exempt from registration either received or had adequate access, through employment, business or other relationships, to information about us.

All certificates representing the securities issued in the transactions described in this Item 15 included appropriate legends setting forth that the securities had not been offered or sold pursuant to a registration statement and describing the applicable restrictions on transfer of the securities. There were no underwriters employed in connection with any of the transactions set forth in this Item 15. All recipients had adequate access, through their relationships with us, to information about us. The sales of these securities were made without any general solicitation or advertising.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

| Exhibit No. | Description |
|--------------------|---|
| 1.1 | Form of Underwriting Agreement |
| 2.1 * + | Share Exchange Agreement, dated December 1, 2016 |
| 3.1 * | Certificate of Incorporation |
| 3.2 * | Certificate of Amendment to the Certificate of Incorporation |
| 3.3 * | Bylaws |
| 3.4 * | Certificate of Designations of Series A Convertible Preferred Stock |
| 3.5 * | Certificate of Amendment of Certificate of Designations of Series A Convertible Preferred Stock, to be effective upon the consummation of this offering |
| 4.1 * | Form of Common Stock Certificate |
| 4.2 * | Form of Series A Convertible Preferred Stock Certificate |
| 4.3 * | Form of Exchange Warrant |
| 4.4 * | Form of Placement Agent Warrant |
| 4.5 * | Form of Registration Rights Agreement |
| 4.6 * | Form of Consultant Warrant |
| 4.7 * | Form of Placement Agent Royalty Payment Rights Certificate |
| 4.8 * | Form of Amendment to Registration Rights Agreement |
| 4.9 * | Form of Ten Percent Warrant |
| 4.10 | Form of Royalty Payment Rights Certificate |
| 5.1 | Opinion of Lowenstein Sandler LLP |
| 10.1 * | Placement Agency Agreement, dated December 1, 2016, between the Company and Aegis Capital Corp. |
| 10.2 * | Form of Subscription Agreement |
| 10.3 * | Form of Voting Agreement, dated December 1, 2016, by and among the Company and the stockholders named therein |
| 10.4 * † | 2016 Equity Incentive Plan and 2016 Israeli Sub-Plan |
| 10.5 * † | Form of Incentive Stock Option Agreement |
| 10.6 * † | Form of Non-Qualified Stock Option Agreement |
| 10.7 * † | Form of Restricted Stock Agreement |
| 10.8 * † | Form of Assumed Options to Israeli Employees and Directors Agreement |
| 10.9 * | Form of Assumed Options to Israeli Non-Employees and Controlling Shareholders Agreement |
| 10.10 * † | Form of Israeli Option Grant to Israeli Employees and Directors Agreement |

- 10.11 * [Form of Israeli Option Grant to Israeli Non-Employees and Controlling Shareholders Agreement](#)
- 10.12 * † [Employment Agreement, dated December 22, 2016, between the Company and Mark Pomeranz](#)
- 10.13 * [Lease, dated April 13, 2017, between Company and Victoriana Building, LLC](#)
- 10.14 * [Form of Subscription Agreement for Convertible Notes Offering](#)
- 10.15 * [Finders Agreement, dated October 14, 2016, between the Company and Aegis Capital Corporation](#)
- 10.16 * [Finders Agreement, dated December 22, 2016, between the Company and Aegis Capital Corporation](#)
- 10.17 * † [Form of Indemnification Agreement](#)
- 10.18 * † [Employment Agreement, dated August 16, 2017, between the Company and Andrew Taylor](#)
- 10.19 *# Supply Agreement, dated September 1, 2017, between Motus GI Technologies Ltd. and Polyzen, Inc.
- 21.1 * [List of Subsidiaries of the Company](#)
- 23.1 [Consent of Brightman Almagor Zohar & Co.](#)
- 23.2 [Consent of Lowenstein Sandler LLP \(included in Exhibit 5.1\)](#)
- 24.1 * [Power of Attorney](#)
- * Previously filed.
- + As permitted by Item 601(b)(2) of Regulation S-K, certain schedules to this agreement have not been filed herewith. The company will furnish supplementally a copy of any omitted schedule to the SEC upon request.
- † Indicates management contract or compensatory plan.
- # Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been submitted separately to the SEC.

ITEM 17. UNDERTAKINGS

(a) The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Ft. Lauderdale, State of Florida on January 31 , 2018.

MOTUS GI HOLDINGS, INC.

By: /s/ Mark Pomeranz

Name: Mark Pomeranz

Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed below by the following persons in the capacities and on the dates indicated.

| <u>Person</u> | <u>Capacity</u> | <u>Date</u> |
|---|---|-------------------|
| <u>/s/ Mark Pomeranz</u> Mark Pomeranz | Chief Executive Officer and Director (Principal Executive Officer) | January 31 , 2018 |
| <u>/s/ Andrew Taylor</u> Andrew Taylor | Chief Financial Officer (Principal Financial and Accounting Officer) | January 31 , 2018 |
| <u>*</u> David Hochman | Chairman of the Board | January 31 , 2018 |
| <u>*</u> Darren Sherman | Director | January 31 , 2018 |
| <u>*</u> Gary Jacobs | Director | January 31 , 2018 |
| <u>*</u> Samuel Nussbaum | Director | January 31 , 2018 |
| <u>*</u> Shervin Korangy | Director | January 31 , 2018 |
| <u>*</u> Gary Pruden | Director | January 31 , 2018 |

*By: /s/ Mark Pomeranz
Mark Pomeranz – Attorney-in-Fact

[●] Shares

Motus GI Holdings, Inc.

Common Stock

PURCHASE AGREEMENT

[●], 2018

PIPER JAFFRAY & CO.
As Representative of the several
Underwriters named in Schedule I hereto
c/o Piper Jaffray & Co.
800 Nicollet Mall
Minneapolis, Minnesota 55402

Ladies and Gentlemen:

Motus GI Holdings, Inc., a Delaware corporation (the “*Company*”), proposes to sell to the several Underwriters named in Schedule I hereto (the “*Underwriters*”) an aggregate of [●] shares (the “*Firm Shares*”) of Common Stock, \$.0001 par value per share (the “*Common Stock*”), of the Company. The Firm Shares consist of [●] authorized but unissued shares of Common Stock to be issued and sold by the Company. The Company has also granted to the several Underwriters an option to purchase up to [●] additional shares of Common Stock, on the terms and for the purposes set forth in Section 3 hereof (the “*Option Shares*”). The Firm Shares and any Option Shares purchased pursuant to this Purchase Agreement are herein collectively called the “*Securities.*”

The Company hereby confirms its agreement with respect to the sale of the Securities to the several Underwriters, for whom Piper Jaffray & Co. (“*Piper Jaffray*”) is acting as representative (the “*Representative*”).

1. **Registration Statement and Prospectus.** A registration statement on Form S-1 (File No. 333- [●]) with respect to the Securities, including a preliminary form of prospectus, has been prepared by the Company in conformity with the requirements of the Securities Act of 1933, as amended (the “*Act*”), and the rules and regulations (“*Rules and Regulations*”) of the Securities and Exchange Commission (the “*Commission*”) thereunder and has been filed with the Commission. Such registration statement, including the amendments, exhibits and schedules thereto, as of the time it became effective, including the Rule 430A Information (as defined below), is referred to herein as the “*Registration Statement.*” The Company will prepare and file a prospectus pursuant to Rule 424(b) of the Rules and Regulations that discloses the information previously omitted from the prospectus in the Registration Statement in reliance upon Rule 430A of the Rules and Regulations, which information will be deemed retroactively to be a part of the Registration Statement in accordance with Rule 430A of the Rules and Regulations (“*Rule 430A Information*”). If the Company has elected to rely upon Rule 462(b) of the Rules and Regulations to increase the size of the offering registered under the Act, the Company will prepare and file with the Commission a registration statement with respect to such increase pursuant to Rule 462(b) of the Rules and Regulations (such registration statement, including the contents of the Registration Statement incorporated by reference therein is the “*Rule 462(b) Registration Statement*”). References herein to the “*Registration Statement*” will be deemed to include the Rule 462(b) Registration Statement at and after the time of filing of the Rule 462(b) Registration Statement. “*Preliminary Prospectus*” means any prospectus included in the Registration Statement prior to the effective time of the Registration Statement, any prospectus filed with the Commission pursuant to Rule 424(a) under the Rules and Regulations and each prospectus that omits Rule 430A Information used after the effective time of the Registration Statement. “*Prospectus*” means the prospectus that discloses the public offering price and other final terms of the Securities and the offering and otherwise satisfies Section 10(a) of the Act. All references in this Agreement to the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement to any of the foregoing, is deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval System or any successor system thereto (“*EDGAR*”).

As part of the offering contemplated by this Purchase Agreement, the Representative has agreed to reserve out of the Firm Shares set forth opposite its name on the Schedule I to this Sales Agreement, up to [●] shares, for sale to the Company's employees, officers, and directors (collectively, "**Participants**"), as set forth in the Prospectus (the "**Directed Share Program**"). The Securities to be sold by the Representative pursuant to the Directed Share Program (the "**Directed Shares**") will be sold pursuant to this Purchase Agreement at the public offering price. Any Directed Shares not orally confirmed for purchase by any Participants by [●] a.m. (Eastern time) on the business day following the date on which this Purchase Agreement is executed will be offered to the public by the Representative as set forth in the Prospectus.

2. Representations and Warranties of the Company.

(a) Representations and Warranties of the Company. The Company represents and warrants to, and agrees with, the several Underwriters as follows:

(i) Registration Statement and Prospectuses. The Registration Statement and any post-effective amendment thereto has become effective under the Act. No stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto has been issued, and no proceeding for that purpose has been initiated or, to the Company's knowledge, threatened by the Commission. No order preventing or suspending the use of any Preliminary Prospectus or the Prospectus (or any supplement thereto) has been issued by the Commission and no proceeding for that purpose has been initiated or, to the Company's knowledge, threatened by the Commission. As of the time each part of the Registration Statement (or any post-effective amendment thereto) became or becomes effective, such part conformed or will conform in all material respects to the requirements of the Act and the Rules and Regulations. Upon the filing or first use within the meaning of the Rules and Regulations, each Preliminary Prospectus and the Prospectus (or any supplement to either) conformed or will conform in all material respects to the requirements of the Act and the Rules and Regulations.

(ii) *Accurate Disclosure*. Each Preliminary Prospectus, at the time of filing thereof or the time of first use within the meaning of the Rules and Regulations, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Neither the Registration Statement nor any amendment thereto, at the effective time of each part thereof, at the First Closing Date (as defined below) or at the Second Closing Date (as defined below), contained, contains or will contain an untrue statement of a material fact or omitted, omits or will omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. As of the Time of Sale (as defined below), neither (A) the Time of Sale Disclosure Package (as defined below) nor (B) any issuer free writing prospectus (as defined below), when considered together with the Time of Sale Disclosure Package, included an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Neither the Prospectus nor any supplement thereto, as of its issue date, at the time of any filing with the Commission pursuant to Rule 424(b) of the Rules and Regulations, at the First Closing Date or at the Second Closing, included, includes or will include an untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The representations and warranties in this Section 2(a)(ii) shall not apply to statements in or omissions from any Preliminary Prospectus, the Registration Statement (or any amendment thereto), the Time of Sale Disclosure Package or the Prospectus (or any supplement thereto) made in reliance upon, and in conformity with, written information furnished to the Company by you, or by any Underwriter through you, specifically for use in the preparation of such document, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 6(f).

Each reference to an “*issuer free writing prospectus*” herein means an issuer free writing prospectus as defined in Rule 433 of the Rules and Regulations.

“*Time of Sale Disclosure Package*” means the Preliminary Prospectus dated [●], 2018, any free writing prospectus set forth on Schedule II and the information on Schedule III, all considered together.

Each reference to a “*free writing prospectus*” herein means a free writing prospectus as defined in Rule 405 of the Rules and Regulations.

“*Time of Sale*” means [●] [a.m.][p.m.] (Eastern time) on the date of this Agreement.

(iii) Issuer Free Writing Prospectuses.

(A) Each issuer free writing prospectus, as of its issue date and at all subsequent times through the completion of the public offer and sale of the Securities or until any earlier date that the Company notified or notifies the Representative as described in Section 4(a)(iii)(B), did not, does not and will not include any information that conflicted, conflicts or will conflict with the information contained in the Registration Statement, any Preliminary Prospectus or the Prospectus. The foregoing sentence does not apply to statements in or omissions from any issuer free writing prospectus based upon and in conformity with written information furnished to the Company by you or by any Underwriter through you specifically for use therein; it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 6(f).

(B) At the time of filing the Registration Statement and any post-effective amendment thereto, and at the date hereof, the Company was not and is not an “ineligible issuer,” as defined in Rule 405 of the Rules and Regulations, without taking account of any determination by the Commission pursuant to Rule 405 of the Rules and Regulations that it is not necessary that the Company be considered an ineligible issuer.

(C) Each issuer free writing prospectus satisfied, as of its issue date and at all subsequent times through the completion of the public offer and sale of the Securities, all other conditions to use thereof as set forth in Rules 164 and 433 under the Act.

(iv) Emerging Growth Company. From the time of initial confidential submission of the Registration Statement to the Commission (or, if earlier, the first date on which the Company engaged directly or through any person authorized to act on its behalf in any Testing-the-Waters Communication (as defined below)) through the date hereof, the Company has been and is an “emerging growth company,” as defined in Section 2(a) of the Act (an “**Emerging Growth Company**”). “**Testing-the-Waters Communication**” means any oral or written communication with potential investors undertaken in reliance on Section 5(d) of the Act.

(v) Testing-the-Waters Materials. The Company (i) has not alone engaged in any Testing-the-Waters Communications, other than Testing-the-Waters Communications with the prior consent of the Representative with entities that are qualified institutional buyers within the meaning of Rule 144A under the Act or institutions that are accredited investors within the meaning of Rule 501 under the Act and (ii) has not authorized anyone other than the Representative to engage in Testing-the-Waters Communications. The Company reconfirms that the Representative has been authorized to act on its behalf in undertaking Testing-the-Waters Communications. The Company has not distributed any Written Testing-the-Waters Communications (as defined below) other than those listed on Schedule IV. “**Written Testing-the-Waters Communication**” means any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Act. Any individual Written Testing-the-Waters Communication does not conflict with the information contained in the Registration Statement or the Time of Sale Disclosure Package, complied in all material respects with the Act, and when taken together with the Time of Sale Disclosure Package as of the Applicable Time, did not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(vi) *No Other Offering Materials.* The Company has not distributed and will not distribute any prospectus or other offering material in connection with the offering and sale of the Securities other than any Preliminary Prospectus, the Time of Sale Disclosure Package or the Prospectus or other materials permitted by the Act to be distributed by the Company; *provided, however,* that, except as set forth on Schedule II, the Company has not made and will not make any offer relating to the Securities that would constitute a free writing prospectus, except in accordance with the provisions of Section 4(a)(xiii) of this Agreement and, except as set forth on Schedule IV, the Company has not made and will not make any communication relating to the Securities that would constitute a Testing-the-Waters Communication, except in accordance with the provisions of Section 2(a)(v) of this Agreement.

(vii) *Financial Statements.* The financial statements of the Company, together with the related notes, set forth in the Registration Statement, the Time of Sale Disclosure Package and Prospectus comply in all material respects with the requirements of the Act and fairly present the financial condition of the Company and its consolidated subsidiaries as of the dates indicated and the results of operations and changes in cash flows for the periods therein specified in conformity with generally accepted accounting principles in the United States consistently applied throughout the periods involved; the supporting schedules included in the Registration Statement present fairly the information required to be stated therein; any non-GAAP financial information included in the Registration Statement, the Time of Sale Disclosure Package and the Prospectus complies with the requirements of Regulation G and Item 10 of Regulation S-K under the Act; and, except as disclosed in the Time of Sale Disclosure Package and the Prospectus, there are no material off-balance sheet arrangements (as defined in Regulation S-K under the Act, Item 303(a)(4)(ii)) or any other relationships with unconsolidated entities or other persons, that may have a material current or, to the Company's knowledge, material future effect on the Company's financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components of revenue or expenses. No other financial statements or schedules are required to be included in the Registration Statement, the Time of Sale Disclosure Package or the Prospectus. Brightman Almagor Zohar & Co., a member of Deloitte Touche Tohmatsu Limited, which has expressed its opinion with respect to the financial statements and schedules filed as a part of the Registration Statement and included in the Registration Statement, the Time of Sale Disclosure Package and the Prospectus, is (x) an independent public accounting firm within the meaning of the Act and the Rules and Regulations, (y) a registered public accounting firm (as defined in Section 2(a)(12) of the Sarbanes-Oxley Act of 2002 (the "*Sarbanes-Oxley Act*")) and (z) not in violation of the auditor independence requirements of the Sarbanes-Oxley Act.

(viii) *Organization and Good Standing*. Each of the Company and its subsidiaries has been duly organized and is validly existing as a corporation and (to the extent such concept is recognized under the laws of its jurisdiction of incorporation) in good standing under the laws of its jurisdiction of incorporation or formation. Each of the Company and its subsidiaries has full corporate power and authority to own its properties and conduct its business as currently being carried on and as described in the Registration Statement, the Time of Sale Disclosure Package and Prospectus, and is duly qualified to do business as a foreign corporation (to the extent such concept is recognized under the laws of its jurisdiction of incorporation) in good standing in each jurisdiction in which it owns or leases real property or in which the conduct of its business makes such qualification necessary and in which the failure to so qualify would have a material adverse effect upon the business, prospects, management, properties, operations, condition (financial or otherwise) or results of operations of the Company and its subsidiaries, taken as a whole (“*Material Adverse Effect*”).

(ix) *Absence of Certain Events*. Except as contemplated in the Time of Sale Disclosure Package and in the Prospectus, subsequent to the respective dates as of which information is given in the Time of Sale Disclosure Package, neither the Company nor any of its subsidiaries has incurred any material liabilities or obligations, direct or contingent, or entered into any material transactions, or declared or paid any dividends or made any distribution of any kind with respect to its capital stock; and there has not been any change in the capital stock (other than a change in the number of outstanding shares of Common Stock due to the issuance of shares upon the exercise of outstanding options or warrants or conversion of convertible securities), or any material change in the short-term or long-term debt (other than as a result of the conversion of convertible securities), or any issuance of options, warrants, convertible securities or other rights to purchase the capital stock, of the Company or any of its subsidiaries, or any material adverse change in the general affairs, condition (financial or otherwise), business, prospects, management, properties, operations or results of operations of the Company and its subsidiaries, taken as a whole (“*Material Adverse Change*”) or any development which could reasonably be expected to result in any Material Adverse Change.

(x) *Absence of Proceedings*. Except as set forth in the Time of Sale Disclosure Package and in the Prospectus, there is not pending or, to the knowledge of the Company, threatened or contemplated, any action, suit or proceeding (a) to which the Company or any of its subsidiaries is a party or (b) which has as the subject thereof any officer or director of the Company or any subsidiary, any employee benefit plan sponsored by the Company or any subsidiary or any property or assets owned or leased by the Company or any subsidiary before or by any court or Governmental Authority (as defined below), or any arbitrator, which, individually or in the aggregate, might result in any Material Adverse Change, or would materially and adversely affect the ability of the Company to perform its obligations under this Agreement or which are otherwise material in the context of the sale of the Securities. There are no current or, to the knowledge of the Company, pending, legal, governmental or regulatory actions, suits or proceedings (x) to which the Company or any of its subsidiaries is subject or (y) which has as the subject thereof any officer or director of the Company or any subsidiary, any employee plan sponsored by the Company or any subsidiary or any property or assets owned or leased by the Company or any subsidiary, that are required to be described in the Registration Statement, Time of Sale Disclosure Package and Prospectus by the Act or by the Rules and Regulations and that have not been so described.

(xi) *Authorization; No Conflicts; Authority.* This Agreement has been duly authorized, executed and delivered by the Company, and constitutes a valid, legal and binding obligation of the Company, enforceable in accordance with its terms, except as rights to indemnity hereunder may be limited by federal or state securities laws and except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting the rights of creditors generally and subject to general principles of equity. The execution, delivery and performance of this Agreement and the consummation of the transactions herein contemplated will not (A) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, (B) result in any violation of the provisions of the Company's charter or by-laws or (C) result in the violation of any law or statute or any judgment, order, rule, regulation or decree of any court or arbitrator or federal, state, local or foreign governmental agency or regulatory authority having jurisdiction over the Company or any of its subsidiaries or any of their properties or assets (each, a "**Governmental Authority**"), except in the case of clauses (A) or (C) as would not result in a Material Adverse Effect. No consent, approval, authorization or order of, or registration or filing with any Governmental Authority is required for the execution, delivery and performance of this Agreement or for the consummation of the transactions contemplated hereby, including the issuance or sale of the Securities by the Company, except such as may be required under the Act, the rules of the Financial Industry Regulatory Authority ("**FINRA**") or state securities or blue sky laws; and the Company has full power and authority to enter into this Agreement and to consummate the transactions contemplated hereby, including the authorization, issuance and sale of the Securities as contemplated by this Agreement.

(xii) *Capitalization; the Securities; Registration Rights.* All of the issued and outstanding shares of capital stock of the Company, including the outstanding shares of Common Stock, are duly authorized and validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state and foreign securities laws, were not issued in violation of or subject to any preemptive rights or other rights to subscribe for or purchase securities that have not been waived in writing (a copy of which has been delivered to counsel to the Representative), and the holders thereof are not subject to personal liability by reason of being such holders; the Securities which may be sold hereunder by the Company have been duly authorized and, when issued, delivered and paid for in accordance with the terms of this Agreement, will have been validly issued and will be fully paid and nonassessable, and the holders thereof will not be subject to personal liability by reason of being such holders; and the capital stock of the Company, including the Common Stock, conforms to the description thereof in the Registration Statement, in the Time of Sale Disclosure Package and in the Prospectus. Except as otherwise stated in the Registration Statement, in the Time of Sale Disclosure Package and in the Prospectus, (A) there are no preemptive rights or other rights to subscribe for or to purchase, or any restriction upon the voting or transfer of, any shares of Common Stock pursuant to the Company's charter, by-laws or any agreement or other instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound, (B) neither the filing of the Registration Statement nor the offering or sale of the Securities as contemplated by this Agreement gives rise to any rights for or relating to the registration of any shares of Common Stock or other securities of the Company (collectively "**Registration Rights**") and (C) any person to whom the Company has granted Registration Rights has agreed not to exercise such rights until after expiration of the Lock-Up Period (as defined below). All of the issued and outstanding shares of capital stock of each of the Company's subsidiaries have been duly and validly authorized and issued and are fully paid and nonassessable, and, except as otherwise described in the Registration Statement, in the Time of Sale Disclosure Package and in the Prospectus, the Company owns of record and beneficially, free and clear of any security interests, claims, liens, proxies, equities or other encumbrances, all of the issued and outstanding shares of such stock. The Company has an authorized and outstanding capitalization as set forth in the Registration Statement, in the Time of Sale Disclosure Package and in the Prospectus under the caption "Capitalization." The Common Stock (including the Securities) conforms in all material respects to the description thereof contained in the Time of Sale Disclosure Package and the Prospectus.

(xiii) Stock Options. Except as described in the Registration Statement, in the Time of Sale Disclosure Package and in the Prospectus, there are no options, warrants, agreements, contracts or other rights in existence to purchase or acquire from the Company or any subsidiary of the Company any shares of the capital stock of the Company or any subsidiary of the Company. The description of the Company's stock option, stock bonus and other stock plans or arrangements (the "**Company Stock Plans**"), and the options (the "**Options**") or other rights granted thereunder, set forth in the Time of Sale Disclosure Package and the Prospectus accurately and fairly presents the information required to be shown with respect to such plans, arrangements, options and rights. Each grant of an Option (A) was duly authorized no later than the date on which the grant of such Option was by its terms to be effective by all necessary corporate action, including, as applicable, approval by the board of directors of the Company (or a duly constituted and authorized committee thereof) and any required stockholder approval by the necessary number of votes or written consents, and the award agreement governing such grant (if any) was duly executed and delivered by each party thereto and (B) was made in accordance with the terms of the applicable Company Stock Plan, and all applicable laws and regulatory rules or requirements, including all applicable federal securities laws.

(xiv) Compliance with Laws. The Company and each of its subsidiaries holds, and is operating in compliance in all material respects with, all franchises, grants, authorizations, licenses, permits, easements, consents, certificates and orders of any Governmental Authority or self-regulatory body required for the conduct of its business and all such franchises, grants, authorizations, licenses, permits, easements, consents, certifications and orders are valid and in full force and effect; and neither the Company nor any of its subsidiaries has received notice of any revocation or modification of any such franchise, grant, authorization, license, permit, easement, consent, certification or order or has reason to believe that any such franchise, grant, authorization, license, permit, easement, consent, certification or order will not be renewed in the ordinary course; and the Company and each of its subsidiaries is in compliance in all material respects with all applicable federal, state, local and foreign laws, regulations, orders and decrees.

(xv) *Ownership of Assets*. The Company and its subsidiaries have good and marketable title to all property (whether real or personal) described in the Registration Statement, in the Time of Sale Disclosure Package and in the Prospectus as being owned by them, in each case free and clear of all liens, claims, security interests, other encumbrances or defects except such as are described in the Registration Statement, in the Time of Sale Disclosure Package and in the Prospectus. The property held under lease by the Company and its subsidiaries is held by them under valid, subsisting and enforceable leases with only such exceptions with respect to any particular lease as do not interfere in any material respect with the conduct of the business of the Company or its subsidiaries.

(xvi) *Intellectual Property*. The Company and each of its subsidiaries owns, possesses, or can acquire on reasonable terms, all Intellectual Property (as defined below) necessary for the conduct of the Company's and its subsidiaries' business as now conducted or as described in the Registration Statement, the Time of Sale Disclosure Package and the Prospectus to be conducted, except as such failure to own, possess, or acquire such rights would not result in a Material Adverse Effect. Furthermore, (A) to the knowledge of the Company, there is no infringement, misappropriation or violation by third parties of any such Intellectual Property owned or possessed by the Company, except as such infringement, misappropriation or violation would not result in a Material Adverse Effect; (B) there is no pending or, to the knowledge of the Company, threatened, action, suit, proceeding or claim by others challenging the Company's or any of its subsidiaries' rights in or to any such Intellectual Property, and the Company is unaware of any facts which would form a reasonable basis for any such claim; (C) the Intellectual Property owned by the Company and its subsidiaries, and to the knowledge of the Company, the Intellectual Property licensed to the Company and its subsidiaries, has not been adjudged invalid or unenforceable, in whole or in part, and there is no pending or, to the knowledge of the Company, threatened action, suit, proceeding or claim by others challenging the validity or scope of any such Intellectual Property, and the Company is unaware of any facts which would form a reasonable basis for any such claim; (D) there is no pending or, to the knowledge of the Company, threatened action, suit, proceeding or claim by others that the Company or any of its subsidiaries infringes, misappropriates or otherwise violates any Intellectual Property or other proprietary rights of others, neither the Company or any of its subsidiaries has received any written notice of such claim and the Company is unaware of any other fact which would form a reasonable basis for any such claim; and (E) to the Company's knowledge, no employee of the Company or any of its subsidiaries is in or has ever been in violation of any term of any employment contract, patent disclosure agreement, invention assignment agreement, non-competition agreement, non-solicitation agreement, nondisclosure agreement or any restrictive covenant to or with a former employer where the basis of such violation relates to such employee's employment with the Company or any of its subsidiaries or actions undertaken by the employee while employed with the Company or any of its subsidiaries, except as such violation would not result in a Material Adverse Effect. "**Intellectual Property**" shall mean all patents, patent applications, trade and service marks, trade and service mark registrations, trade names, copyrights, licenses, inventions, trade secrets, domain names, technology, know-how and other intellectual property.

(xvii) No Violations or Defaults. Neither the Company nor any of its subsidiaries is in violation of its respective charter, by-laws or other organizational documents, or, except as would not result in a Material Adverse Effect, in breach of or otherwise in default, and no event has occurred which, with notice or lapse of time or both, would constitute such a default in the performance of any material obligation, agreement or condition contained in any bond, debenture, note, indenture, loan agreement or any other material contract, lease or other instrument to which it is subject or by which any of them may be bound, or to which any of the material property or assets of the Company or any of its subsidiaries is subject.

(xviii) Taxes. The Company and its subsidiaries have timely filed all federal, state, local and foreign income and franchise tax returns required to be filed and are not in default in the payment of any taxes which were payable pursuant to said returns or any assessments with respect thereto, other than any which the Company or any of its subsidiaries is contesting in good faith. Except as would not result in a Material Adverse Effect, there is no pending dispute with any taxing authority relating to any of such returns, and the Company has no knowledge of any proposed liability for any tax to be imposed upon the properties or assets of the Company or any of its subsidiaries for which there is not an adequate reserve reflected in the Company's financial statements included in the Registration Statement, the Time of Sale Disclosure Package and the Prospectus.

(xix) Exchange Listing and Exchange Act Registration. The Securities have been approved for listing on the NASDAQ Capital Market upon official notice of issuance and, on the date the Registration Statement became effective, the Company's Registration Statement on Form 8-A or other applicable form under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), became effective. Except as previously disclosed to counsel for the Underwriters or as set forth in the Time of Sale Disclosure Package and the Prospectus, there are no affiliations with members of FINRA among the Company's officers or directors or, to the knowledge of the Company, any five percent or greater stockholders of the Company or any beneficial owner of the Company's unregistered equity securities that were acquired during the 180-day period immediately preceding the initial filing date of the Registration Statement.

(xx) Ownership of Other Entities. Other than the subsidiaries of the Company listed in Exhibit 21 to the Registration Statement, the Company, directly or indirectly, owns no capital stock or other equity or ownership or proprietary interest in any corporation, partnership, association, trust or other entity.

(xxi) *Internal Controls*. The Company and its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles in the United States and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as disclosed in the Registration Statement, in the Time of Sale Disclosure Package and in the Prospectus, the Company's internal control over financial reporting is effective and none of the Company, its board of directors and audit committee is aware of any "significant deficiencies" or "material weaknesses" (each as defined by the Public Company Accounting Oversight Board) in its internal control over financial reporting, or any fraud, whether or not material, that involves management or other employees of the Company or its subsidiaries who have a significant role in the Company's internal controls; and since the end of the latest audited fiscal year, there has been no change in the Company's internal control over financial reporting (whether or not remediated) that has materially affected, or is reasonably likely to materially adversely affect, the Company's internal control over financial reporting. The Company's board of directors has, subject to the exceptions, cure periods and the phase-in periods specified in the applicable stock exchange rules ("*Exchange Rules*"), validly appointed an audit committee to oversee internal accounting controls whose composition satisfies the applicable requirements of the Exchange Rules and the Company's board of directors and/or the audit committee has adopted a charter that satisfies the requirements of the Exchange Rules.

(xxii) *No Brokers or Finders*. Other than as contemplated by this Agreement, the Company has not incurred and will not incur any liability for any finder's or broker's fee or agent's commission in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

(xxiii) *Insurance*. The Company and each of its subsidiaries carries, or is covered by, insurance from reputable insurers in such amounts and covering such risks as is customary for the conduct of its business and the value of its properties and the properties of its subsidiaries and as is customary for companies engaged in similar businesses in similar industries; all policies of insurance and any fidelity or surety bonds insuring the Company or any of its subsidiaries or its business, assets, employees, officers and directors are in full force and effect; the Company and its subsidiaries are in compliance with the terms of such policies and instruments in all material respects; there are no claims by the Company or any of its subsidiaries under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights clause; neither the Company nor any of its subsidiaries has been refused any insurance coverage sought or applied for; and neither the Company nor any of its subsidiaries has reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect.

(xxiv) Investment Company Act. The Company is not and, after giving effect to the offering and sale of the Securities, will not be an “investment company,” as such term is defined in the Investment Company Act of 1940, as amended.

(xxv) Sarbanes-Oxley Act. The Company is in compliance with all applicable provisions of the Sarbanes-Oxley Act and the rules and regulations of the Commission thereunder in all material respects.

(xxvi) Disclosure Controls. The Company has established and maintains disclosure controls and procedures (as defined in Rules 13a-14 and 15d-14 under the Exchange Act) and such controls and procedures are effective in ensuring that material information relating to the Company, including its subsidiaries, is made known to the principal executive officer and the principal financial officer. The Company has utilized such controls and procedures in preparing and evaluating the disclosures in the Registration Statement, in the Time of Sale Disclosure Package and in the Prospectus.

(xxvii) Anti-Bribery and Anti-Money Laundering Laws. Each of the Company, its subsidiaries, its affiliates and any of their respective officers, directors, supervisors, managers, agents, or employees, has not violated, its participation in the offering will not violate, and the Company and each of its subsidiaries has instituted and maintains policies and procedures designed to ensure continued compliance with, each of the following laws: (A) anti-bribery laws, including but not limited to, any applicable law, rule, or regulation of any locality, including but not limited to any law, rule, or regulation promulgated to implement the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed December 17, 1997, including the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.K. Bribery Act 2010, or any other law, rule or regulation of similar purposes and scope or (B) anti-money laundering laws, including but not limited to, applicable federal, state, international, foreign or other laws, regulations or government guidance regarding anti-money laundering, including, without limitation, Title 18 US. Code section 1956 and 1957, the Patriot Act, the Bank Secrecy Act, and international anti-money laundering principles or procedures by an intergovernmental group or organization, such as the Financial Action Task Force on Money Laundering, of which the United States is a member and with which designation the United States representative to the group or organization continues to concur, all as amended, and any Executive order, directive, or regulation pursuant to the authority of any of the foregoing, or any orders or licenses issued thereunder.

(xxviii) OFAC.

(A) Neither the Company nor any of its subsidiaries, nor any of their directors, officers or employees, nor, to the Company’s knowledge, any agent, affiliate or representative of the Company or its subsidiaries, is an individual or entity that is, or is owned or controlled by an individual or entity that is:

(1) the subject of any sanctions administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control, the United Nations Security Council, the European Union, Her Majesty's Treasury, or other relevant sanctions authority (collectively, "**Sanctions**"), nor

(2) located, organized or resident in a country or territory that is the subject of Sanctions (including, without limitation, the Crimea region of Ukraine, Cuba, Iran, North Korea, Sudan and Syria).

(B) Neither the Company nor any of its subsidiaries will, directly or indirectly, use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other individual or entity:

(1) to fund or facilitate any activities or business of or with any individual or entity or in any country or territory that, at the time of such funding or facilitation, is the subject of Sanctions; or

(2) in any other manner that will result in a violation of Sanctions by any individual or entity (including any individual or entity participating in the offering, whether as underwriter, advisor, investor or otherwise).

(C) For the past five years, neither the Company nor any of its subsidiaries has knowingly engaged in, and is not now knowingly engaged in, any dealings or transactions with any individual or entity, or in any country or territory, that at the time of the dealing or transaction is or was the subject of Sanctions.

(xxix) Compliance with Environmental Laws. Except as disclosed in the Time of Disclosure Package and the Prospectus, neither the Company nor any of its subsidiaries is in violation of any statute, any rule, regulation, decision or order of any Governmental Authority or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "**Environmental Laws**"), owns or operates any real property contaminated with any substance that is subject to any Environmental Laws, is liable for any off-site disposal or contamination pursuant to any Environmental Laws, or is subject to any claim relating to any Environmental Laws, which violation, contamination, liability or claim would individually or in the aggregate, have a Material Adverse Effect; and the Company is not aware of any pending investigation which might lead to such a claim. Neither the Company nor any of its subsidiaries anticipates incurring any material capital expenditures relating to compliance with Environmental Laws.

(xxx) *Compliance with Occupational Laws*. The Company and each of its subsidiaries (A) is in compliance, in all material respects, with any and all applicable foreign, federal, state and local laws, rules, regulations, treaties, statutes and codes promulgated by any and all Governmental Authorities (including pursuant to the Occupational Health and Safety Act) relating to the protection of human health and safety in the workplace ("**Occupational Laws**"); (B) has received all material permits, licenses or other approvals required of it under applicable Occupational Laws to conduct its business as currently conducted; and (C) is in compliance, in all material respects, with all terms and conditions of such permit, license or approval. No action, proceeding, revocation proceeding, writ, injunction or claim is pending or, to the Company's knowledge, threatened against the Company or any of its subsidiaries relating to Occupational Laws, and the Company does not have knowledge of any facts, circumstances or developments relating to its operations or cost accounting practices that could reasonably be expected to form the basis for or give rise to such actions, suits, investigations or proceedings.

(xxxix) *Compliance with Health Care Laws*. The Company and, to the Company's knowledge, its directors, officers, employees, and agents (while acting in such capacity) are, and at all times prior hereto have been, in compliance with, all health care laws and regulations applicable to the Company or any of its product candidates or activities, including development and testing of medical devices, kickbacks, recordkeeping, documentation requirements, the hiring of employees (to the extent governed by health care laws), quality, safety, privacy, security, licensure, accreditation or any other aspect of developing and testing health care or medical device products (collectively, "**Health Care Laws**"), except where such noncompliance would not, individually or in the aggregate, have a Material Adverse Effect. The Company has not received any written notification, correspondence or any other written communication, including notification of any pending or threatened claim, suit, proceeding, hearing, enforcement, investigation, arbitration or other action from any governmental authority, including, without limitation, the United States Food and Drug Administration ("**FDA**"), the Drug Enforcement Agency ("**DEA**"), the Centers for Medicare & Medicaid Services, and the U.S. Department of Health and Human Services Office of Inspector General, of potential or actual non-compliance by, or liability of, the Company under any Health Care Laws. To the Company's knowledge, there are no facts or circumstances that would reasonably be expected to give rise to liability of the Company under any Health Care Laws, except that would not individually or in the aggregate have a Material Adverse Effect. To the Company's knowledge, the manufacture of Company products by or on behalf of the Company is being conducted in compliance with all Health Care Laws applicable to the Company or any of its products or activities, including, without limitation, the FDA's current good manufacturing practice regulations at 21 C.F.R. Part 820 for medical devices or Parts 210-211 for biological products, when sold in the United States, and the respective counterparts thereof promulgated by governmental authorities in countries outside the United States. Except as disclosed in the Registration Statement, the Prospectus and any Permitted Free Writing Prospectus (as defined below) or as would not reasonably be expected to have a Material Adverse Effect, during the three year period ended on December 31, 2016 and through the date hereof, the Company has not had any product or Company owned manufacturing site subject to a governmental authority (including FDA) shutdown or import or export prohibition, nor received any FDA Form 483 or other governmental authority notice of inspectional observations, "warning letters," "untitled letters," requests to make changes to the Company products, processes or operations, or similar correspondence or notice from the FDA or other governmental authority alleging or asserting material noncompliance with any applicable Health Care Laws. To the Company's knowledge, neither the FDA nor any other governmental authority has threatened such action. The Company is in compliance in all material respects with all applicable regulatory post-market reporting obligations, including, without limitation, the FDA's adverse event reporting requirements at 21 CFR Parts 310, 314, 600, and 803, and, to the extent applicable, the respective counterparts thereof promulgated by governmental authorities in countries outside the United States.

(xxxii) Licenses and Permits. The Company and its subsidiaries possess such valid and current certificates, authorizations or permits required by state, federal or foreign regulatory agencies or bodies to conduct their respective businesses as currently conducted and as described in the Registration Statement, the Prospectus and any Permitted Free Writing Prospectus (“**Permits**”), except where the failure to so possess would not, singly or in the aggregate, reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any of its subsidiaries is in violation of, or in default under, any of the Permits or has received any notice of proceedings relating to the revocation or modification of, or non-compliance with, any such certificate, authorization or permit, except for such violations or defaults that would not, singly or in the aggregate, reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any Permits which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to result in a Material Adverse Effect. The Company has not received any written notice denying, revoking or modifying any “approved enterprise” or “benefited enterprise” or “preferred enterprise” status with respect to any of the Company’s facilities or operations.

(xxxiii) No Safety Notices. Except as would not reasonably be expected to have a Material Adverse Effect and except as disclosed in the Registration Statement and the Prospectus, (i) there are no recalls, field notifications, field corrections, market withdrawals or replacements, warnings, “dear doctor” letters, investigator notices, safety alerts or other notice of action relating to an alleged lack of safety, efficacy, or regulatory compliance of the Company products (“**Safety Notices**”) during the three year period ended on December 31, 2016 and through the date hereof and, (ii) such Safety Notices, if any, were resolved or closed, and (iii) to the Company’s knowledge, there are no material complaints with respect to the Company products that are currently unresolved. There are no material Safety Notices, or, to the Company’s knowledge, material product complaints with respect to the Company products, and to the Company’s knowledge, there are no facts that would be reasonably likely to result in (i) a material Safety Notice with respect to the Company products, (ii) a material change in labeling of any of the Company’s products, or (iii) a termination or suspension of marketing or testing of any of the Company’s products, except as would not reasonably be expected to have a Material Adverse Effect.

(xxxiv) *Clinical Data and Regulatory Compliance.* The clinical and pre-clinical studies and tests conducted by the Company and, to the knowledge of the Company, the clinical and pre-clinical studies conducted on behalf of or sponsored by the Company, were, and if still pending, are, being conducted in all material respects in accordance with all applicable Health Care Laws and standard medical and scientific research procedures, including, but not limited to, the Federal Food, Drug and Cosmetic Act and its applicable implementing regulations at 21 C.F.R. Parts 50, 54, 56, 58 and 312. Any descriptions of clinical, pre-clinical and other studies and tests, including any related results and regulatory status, contained in the Registration Statement, the Prospectus and any Permitted Free Writing Prospectus are accurate in all material respects. Except as disclosed in the Registration Statement, the Prospectus and any Permitted Free Writing Prospectus and to the Company's knowledge, there are no studies, tests or trials the result of which reasonably call into question in any material respect the clinical trial results described or referred to in the Registration Statement, the Prospectus or any Permitted Free Writing Prospectus. No 510(k) submission made by or on behalf of the Company with the FDA has been terminated or suspended by the FDA, and neither the FDA nor any applicable foreign regulatory agency has commenced, or, to the Company's knowledge, threatened to initiate, any action to place a clinical hold order on, or otherwise terminate, delay or suspend, any proposed or ongoing clinical investigation conducted or proposed to be conducted by or on behalf of the Company.

(xxxv) *ERISA and Employee Benefits Matters.* (A) To the knowledge of the Company, no "prohibited transaction" as defined under Section 406 of ERISA or Section 4975 of the Code and not exempt under ERISA Section 408 and the regulations and published interpretations thereunder has occurred with respect to any Employee Benefit Plan. At no time has the Company or any ERISA Affiliate maintained, sponsored, participated in, contributed to or has or had any liability or obligation in respect of any Employee Benefit Plan subject to Part 3 of Subtitle B of Title I of ERISA, Title IV of ERISA, or Section 412 of the Code or any "multiemployer plan" as defined in Section 3(37) of ERISA or any multiple employer plan for which the Company or any ERISA Affiliate has incurred or could incur liability under Section 4063 or 4064 of ERISA. No Employee Benefit Plan provides or promises, or at any time provided or promised, retiree health, life insurance, or other retiree welfare benefits except as may be required by the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or similar state law. Each Employee Benefit Plan is and has been operated in material compliance with its terms and all applicable laws, including but not limited to ERISA and the Code and, to the knowledge of the Company, no event has occurred (including a "reportable event" as such term is defined in Section 4043 of ERISA) and no condition exists that would subject the Company or any ERISA Affiliate to any material tax, fine, lien, penalty or liability imposed by ERISA, the Code or other applicable law. Each Employee Benefit Plan intended to be qualified under Code Section 401(a) is so qualified and has a favorable determination or opinion letter from the IRS upon which it can rely, and any such determination or opinion letter remains in effect and has not been revoked; to the knowledge of the Company, nothing has occurred since the date of any such determination or opinion letter that is reasonably likely to adversely affect such qualification; (B) with respect to each Foreign Benefit Plan, such Foreign Benefit Plan (1) if intended to qualify for special tax treatment, meets, in all material respects, the requirements for such treatment, and (2) if required to be funded, is funded to the extent required by applicable law, and with respect to all other Foreign Benefit Plans, adequate reserves therefor have been established on the accounting statements of the applicable Company or subsidiary; (C) the Company does not have any obligations under any collective bargaining agreement with any union and no organization efforts are underway with respect to Company employees. As used in this Agreement, "*Code*" means the Internal Revenue Code of 1986, as amended; "*Employee Benefit Plan*" means any "employee benefit plan" within the meaning of Section 3(3) of ERISA, including, without limitation, all stock purchase, stock option, stock-based severance, employment, change-in-control, medical, disability, fringe benefit, bonus, incentive, deferred compensation, employee loan and all other employee benefit plans, agreements, programs, policies or other arrangements, whether or not subject to ERISA, under which (x) any current or former employee, director or independent contractor of the Company or its subsidiaries has any present or future right to benefits and which are contributed to, sponsored by or maintained by the Company or any of its respective subsidiaries or (y) the Company or any of its subsidiaries has had or has any present or future obligation or liability; "*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended; "*ERISA Affiliate*" means any member of the company's controlled group as defined in Code Section 414(b), (c), (m) or (o); and "*Foreign Benefit Plan*" means any Employee Benefit Plan established, maintained or contributed to outside of the United States of America or which covers any employee working or residing outside of the United States.

(xxxvi) Business Arrangements. Except as disclosed in the Registration Statement, the Time of Sale Disclosure Package and the Prospectus, neither the Company nor any of its subsidiaries has granted rights to develop, manufacture, produce, assemble, distribute, license, market or sell its products to any other person and is not bound by any agreement that affects the exclusive right of the Company or such subsidiary to develop, manufacture, produce, assemble, distribute, license, market or sell its products.

(xxxvii) Labor Matters. No labor problem or dispute with the employees of the Company or any of its subsidiaries exists or is threatened or imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or its subsidiaries' principal suppliers, contractors or customers, that could have a Material Adverse Effect.

(xxxviii) Restrictions on Subsidiary Payments to the Company. No subsidiary of the Company is currently prohibited, directly or indirectly, from paying any dividends to the Company, from making any other distribution on such subsidiary's capital stock, from repaying to the Company any loans or advances to such subsidiary from the Company or from transferring any of such subsidiary's property or assets to the Company or any other subsidiary of the Company, except as described in or contemplated by the Time of Sale Disclosure Package and the Prospectus.

(xxxix) *Disclosure of Legal Matters.* There are no statutes, regulations, legal or governmental proceedings or contracts or other documents required to be described in the Time of Sale Disclosure Package or in the Prospectus or included as exhibits to the Registration Statement that are not described or included as required.

(xl) *Statistical Information.* Any third-party statistical and market-related data included in the Registration Statement, the Time of Sale Disclosure Package and the Prospectus are based on or derived from sources that the Company believes to be reliable and accurate in all material respects.

(xli) *Forward-looking Statements.* No forward-looking statement (within the meaning of Section 27A of the Act and Section 21E of the Exchange Act) contained in the Registration Statement or the Prospectus has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.

(xlii) *Directed Share Program.* (i) The Registration Statement, the Prospectus, any Preliminary Prospectus and any issuer free writing prospectuses comply, and any further amendments or supplements thereto will comply, with any applicable laws or regulations of foreign jurisdictions in which the Prospectus or any Preliminary Prospectus and any issuer free writing prospectus, as amended or supplemented, if applicable, are distributed in connection with the Directed Share Program, and (ii) no authorization, approval, consent, license, order, registration or qualification of or with any government, governmental instrumentality or court, other than such as have been obtained, is necessary under the securities laws and regulations of foreign jurisdictions in which the Directed Shares are offered outside the United States. The Company has not offered, or caused the Underwriters to offer, Securities to any person pursuant to the Directed Share Program with the specific intent to unlawfully influence (i) a customer or supplier of the Company to alter the customer's or supplier's level or type of business with the Company, or (ii) a trade journalist or publication to write or publish favorable information about the Company or its products.

(b) *Effect of Certificates.* Any certificate signed by any officer of the Company and delivered to you or to counsel for the Underwriters shall be deemed a representation and warranty by the Company to each Underwriter as to the matters covered thereby.

3. *Purchase, Sale and Delivery of Securities.*

(a) *Firm Shares.* On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Company agrees to issue and sell [●] Firm Shares to the several Underwriters, and each Underwriter agrees, severally and not jointly, to purchase from the Company the number of Firm Shares set forth opposite the name of such Underwriter in Schedule I hereto. The purchase price for each Firm Share shall be \$[●] per share. The obligation of each Underwriter to the Company shall be to purchase from the Company that number of Firm Shares (to be adjusted by the Representative to avoid fractional shares) which represents the same proportion of the number of Firm Shares to be sold by the Company pursuant to this Agreement as the number of Firm Shares set forth opposite the name of such Underwriter in Schedule I hereto represents to the total number of Firm Shares to be purchased by all Underwriters pursuant to this Agreement. In making this Agreement, each Underwriter is contracting severally and not jointly; except as provided in paragraph (d) of this Section 3 and in Section 8 hereof, the agreement of each Underwriter is to purchase only the respective number of Firm Shares specified in Schedule I.

(b) *Option Shares.* On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Company, with respect to [●] Option Shares, hereby grants to the several Underwriters an option to purchase all or any portion of the Option Shares at the same purchase price as the Firm Shares, for use solely in covering any over-allotments made by the Underwriters in the sale and distribution of the Firm Shares. The option granted hereunder may be exercised in whole or in part at any time (but not more than once) within 30 days after the effective date of this Agreement upon notice (confirmed in writing) by the Representative to the Company setting forth the aggregate number of Option Shares as to which the several Underwriters are exercising the option and the date and time, as determined by you, when the Option Shares are to be delivered, but in no event earlier than the First Closing Date (as defined below) nor earlier than the second business day or later than the tenth business day after the date on which the option shall have been exercised. The number of Option Shares to be purchased by each Underwriter shall be the same percentage of the total number of Option Shares to be purchased by the several Underwriters as the number of Firm Shares to be purchased by such Underwriter is of the total number of Firm Shares to be purchased by the several Underwriters, as adjusted by the Representative in such manner as the Representative deems advisable to avoid fractional shares. No Option Shares shall be sold and delivered unless the Firm Shares previously have been, or simultaneously are, sold and delivered.

(c) *Payment and Delivery.*

(i) The Securities to be purchased by each Underwriter hereunder, in book-entry form in such authorized denominations and registered in such names as the Representative may request upon at least forty-eight hours' prior notice to the Company, shall be delivered by or on behalf of the Company to the Representative, through the facilities of the Depository Trust Company ("*DTC*"), for the account of such Underwriter, with any transfer taxes payable in connection with the transfer of the Securities to the Underwriters duly paid, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of Federal (same-day) funds to the account specified by the Company to the Representative at least forty-eight hours in advance. The time and date of such delivery and payment shall be, with respect to the Firm Shares, 9:30 a.m., Eastern time, on [●], 2018 or such other time and date as the Representative and the Company may agree upon in writing, and, with respect to the Option Shares, 9:30 a.m., Eastern time, on the date specified by the Representative in each written notice given by the Representative of the Underwriters' election to purchase such Option Shares, or such other time and date as the Representative and the Company may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the "*First Closing Date*", each such time and date for delivery of the Option Shares, if not the First Closing Date, is herein called a "*Second Closing Date*", and each such time and date for delivery is herein called a "*Closing*."

(ii) The documents to be delivered at each Closing by or on behalf of the parties hereto pursuant to Section 5 hereof, including the cross receipt for the Securities and any additional documents requested by the Underwriters pursuant to Section 5(k) hereof, will be delivered at the offices of Goodwin Procter LLP, 620 Eighth Avenue, New York, New York 10018 (the “*Closing Location*”), and the Securities will be delivered to the Representative, through the facilities of the DTC, for the account of such Underwriter, all at such Closing. A meeting will be held at the Closing Location at [●] [a.m.][p.m.], Eastern time, on the New York Business Day next preceding such Closing, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Section 3, “*New York Business Day*” shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close.

(d) *Purchase by Representative on Behalf of Underwriters.* It is understood that you, individually and not as Representative of the several Underwriters, may (but shall not be obligated to) make payment to the Company, on behalf of any Underwriter for the Securities to be purchased by such Underwriter. Any such payment by you shall not relieve any such Underwriter of any of its obligations hereunder. Nothing herein contained shall constitute any of the Underwriters an unincorporated association or partner with the Company.

4. *Covenants.*

(a) *Covenants of the Company.* The Company covenants and agrees with the several Underwriters as follows:

(i) *Required Filings.* The Company will prepare and file a Prospectus with the Commission containing the Rule 430A Information omitted from the Preliminary Prospectus within the time period required by, and otherwise in accordance with the provisions of, Rules 424(b) and 430A of the Rules and Regulations. If the Company has elected to rely upon Rule 462(b) of the Rules and Regulations to increase the size of the offering registered under the Act and the Rule 462(b) Registration Statement has not yet been filed and become effective, the Company will prepare and file the Rule 462 Registration Statement with the Commission within the time period required by, and otherwise in accordance with the provisions of, Rule 462(b) and the Act. The Company will prepare and file with the Commission, promptly upon your request, any amendments or supplements to the Registration Statement or Prospectus that, in your opinion, may be necessary or advisable in connection with the distribution of the Securities by the Underwriters; and the Company will furnish the Representative and counsel for the Underwriters a copy of any proposed amendment or supplement to the Registration Statement or Prospectus and will not file any amendment or supplement to the Registration Statement or Prospectus to which you shall reasonably object by notice to the Company after having been furnished a copy a reasonable time prior to the filing.

(ii) Notification of Certain Commission Actions. The Company will advise you, promptly after it shall receive notice or obtain knowledge thereof, of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement, or any post-effective amendment thereto or preventing or suspending the use of any Preliminary Prospectus, the Time of Sale Disclosure Package, the Prospectus or any issuer free writing prospectus, of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, or of the initiation or threatening of any proceeding for any such purpose; and the Company will promptly use its best efforts to prevent the issuance of any stop order or to obtain its withdrawal if such a stop order should be issued.

(iii) Continued Compliance with Securities Laws.

(A) Within the time during which a prospectus (assuming the absence of Rule 172) relating to the Securities is required to be delivered under the Act by any Underwriter or dealer, the Company will comply with all requirements imposed upon it by the Act, as now and hereafter amended, and by the Rules and Regulations, as from time to time in force, so far as necessary or appropriate in the opinion of the Company or its counsel to permit the continuance of sales of or dealings in the Securities as contemplated by the provisions hereof, the Time of Sale Disclosure Package and the Prospectus. If during such period any event occurs as a result of which the Prospectus (or if the Prospectus is not yet available to prospective purchasers, the Time of Sale Disclosure Package) would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances then existing, not misleading, or if during such period it is necessary to amend the Registration Statement or supplement the Prospectus (or if the Prospectus is not yet available to prospective investors, the Time of Sale Disclosure Package) to comply with the Act, the Company promptly will (x) notify you of such untrue statement or omission, (y) amend the Registration Statement or supplement the Prospectus (or, if the Prospectus is not yet available to prospective purchasers, the Time of Sale Disclosure Package) (at the expense of the Company) so as to correct such statement or omission or effect such compliance and (z) notify you when any amendment to the Registration Statement is filed or becomes effective or when any supplement to the Prospectus (or, if the Prospectus is not yet available to prospective purchasers, the Time of Sale Disclosure Package) is filed.

(B) If at any time following issuance of an issuer free writing prospectus or Written Testing-the-Waters Communication there occurred or occurs an event or development as a result of which such issuer free writing prospectus or Written Testing-the-Waters Communication conflicted or would conflict with the information contained in the Registration Statement, any Preliminary Prospectus or the Prospectus relating to the Securities or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at that subsequent time, not misleading, the Company (x) has promptly notified or promptly will notify the Representative of such conflict, untrue statement or omission, (y) has promptly amended or will promptly amend or supplement, at its own expense, such issuer free writing prospectus or Written Testing-the-Waters Communication to eliminate or correct such conflict, untrue statement or omission and (z) has notified or promptly will notify you when such amendment or supplement was or is filed with the Commission to the extent required to be filed by the Rules and Regulations.

(iv) *Blue Sky Qualifications*. The Company shall take or cause to be taken all necessary action to qualify the Securities for sale under the securities laws of such domestic United States or foreign jurisdictions as you reasonably designate and to continue such qualifications in effect so long as required for the distribution of the Securities, except that the Company shall not be required in connection therewith to qualify as a foreign corporation or to execute a general consent to service of process in any state.

(v) *Provision of Documents*. The Company will furnish, at its own expense, to the Underwriters and counsel for the Underwriters copies of the Registration Statement (three of which will include all consents and exhibits filed therewith), and to the Underwriters and any dealer each Preliminary Prospectus, the Time of Sale Disclosure Package, the Prospectus, any issuer free writing prospectus and all amendments and supplements to such documents, in each case as soon as available and in such quantities as you may from time to time reasonably request.

(vi) *Rule 158*. The Company will make generally available to its security holders as soon as practicable, but in no event later than 15 months after the end of the Company's current fiscal quarter, an earnings statement (which need not be audited) covering a 12-month period beginning after the effective date of the Registration Statement (which, for purposes of this paragraph, will be deemed to be the effective date of the Rule 462(b) Registration Statement, if applicable) that shall satisfy the provisions of Section 11(a) of the Act and Rule 158 of the Rules and Regulations.

(vii) Payment and Reimbursement of Expenses. The Company, whether or not the transactions contemplated hereunder are consummated or this Agreement is terminated, will pay or cause to be paid (A) all expenses (including transfer taxes allocated to the respective transferees) incurred in connection with the delivery to the Underwriters of the Securities, (B) all expenses and fees (including, without limitation, fees and expenses of the Company's accountants and counsel but, except as otherwise provided below, not including fees of the Underwriters' counsel) in connection with the preparation, printing, filing, delivery, and shipping of the Registration Statement (including the financial statements therein and all amendments, schedules, and exhibits thereto), the Securities, each Preliminary Prospectus, the Time of Sale Disclosure Package, the Prospectus, any issuer free writing prospectus and any amendment thereof or supplement thereto, and the printing, delivery, and shipping of this Agreement and other underwriting documents, including Blue Sky Memoranda (covering the states and other applicable jurisdictions), (C) subject to the limitation set forth below, all filing fees and fees and disbursements of the Underwriters' counsel incurred in connection with the qualification of the Securities for offering and sale by the Underwriters or by dealers under the securities or blue sky laws of the states and other jurisdictions which you shall designate, (D) the fees and expenses of any transfer agent or registrar, (E) subject to the limitation set forth below, the filing fees and fees and disbursements of the Underwriters' counsel incident to any required review and approval by FINRA of the terms of the sale of the Securities, (F) listing fees, if any, (G) the cost and expenses of the Company relating to investor presentations or any "road show" undertaken in connection with marketing of the Securities, including, without limitation, expenses associated with the preparation or dissemination of any electronic road show, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the Underwriters and officers of the Company and any such consultants, and the cost of any aircraft chartered in connection with the road show, and (H) all other costs and expenses of the Company incident to the performance of its obligations hereunder that are not otherwise specifically provided for herein. The Company will reimburse the Representative for the Underwriters' reasonable out-of-pocket expenses, including the reasonable legal fees and disbursements, in connection with the purchase and sale of the Securities contemplated hereby up to an aggregate of \$350,000 (including amounts payable pursuant to clauses (C) and (E) above and Section 4(xv) below); without the Company's prior written consent. If this Agreement is terminated by the Representative pursuant to Section 9 hereof or if the sale of the Securities provided for herein is not consummated by reason of any failure, refusal or inability on the part of the Company to perform any agreement on its or their part to be performed, or because any other condition of the Underwriters' obligations hereunder required to be fulfilled by the Company is not fulfilled, the Company will reimburse the several Underwriters for all out-of-pocket accountable disbursements (including but not limited to the reasonable fees and disbursements of counsel, printing expenses, travel expenses, postage, facsimile and telephone charges) incurred by the Underwriters in connection with their investigation, preparing to market and marketing the Securities or in contemplation of performing their obligations hereunder up to an aggregate of \$250,000.

(viii) Use of Proceeds. The Company will apply the net proceeds from the sale of the Securities to be sold by it hereunder for the purposes set forth in the Time of Sale Disclosure Package and in the Prospectus and will file such reports with the Commission with respect to the sale of the Securities and the application of the proceeds therefrom as may be required in accordance with Rule 463 of the Rules and Regulations.

(ix) Company Lock Up. The Company will not, without the prior written consent of the Representative, from the date of execution of this Agreement and continuing to and including the date 180 days after the date of the Prospectus (the "**Lock-Up Period**"), (A) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (B) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (A) or (B) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise, except to the Underwriters pursuant to this Agreement. The Company agrees not to accelerate the vesting of any option or warrant or the lapse of any repurchase right prior to the expiration of the Lock-Up Period.

(x) *Stockholder Lock-Ups*. The Company has caused to be delivered to you prior to the date of this Agreement a letter, in the form of Exhibit A hereto (the “*Lock-Up Agreement*”), from security holders of the Company representing at least 95% of the outstanding shares of Common Stock of the Company and each security holder who holds at least 1% of the outstanding shares of common stock of the Company shall have signed such Lock-Up Agreement. The Company will enforce the terms of each Lock-Up Agreement and issue stop-transfer instructions to its transfer agent and registrar for the Common Stock with respect to any transaction or contemplated transaction that would constitute a breach of or default under the applicable Lock-Up Agreement. The Company will not grant any waivers to, or amend the terms of, any such Lock-Up Agreement, nor shall it remove the above referenced stop-transfer restrictions during the Lock-Up Period, without the written consent of Piper Jaffray, in its sole discretion. If Piper Jaffray, in its sole discretion, agrees to release or waive the restrictions of any Lock-Up Agreement between an officer or director of the Company and Piper Jaffray and provides the Company with notice of the impending release or waiver at least three business days before the effective date of such release or waiver, the Company agrees to announce the impending release or waiver by means of a press release substantially in the form of Exhibit B hereto, issued through a major news service, at least two business days before the effective date of the release or waiver.

(xi) *No Market Stabilization or Manipulation*. The Company has not taken and will not take, directly or indirectly, any action designed to or which might reasonably be expected to cause or result in, or which has constituted, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities, and has not effected any sales of Common Stock which are required to be disclosed in response to Item 701 of Regulation S-K under the Act which have not been so disclosed in the Registration Statement.

(xii) *SEC Reports*. The Company will use its commercially reasonable efforts to file on a timely basis with the Commission such periodic and special reports as required by the Rules and Regulations.

(xiii) *Free Writing Prospectuses*. The Company represents and agrees that, unless it obtains the prior written consent of the Representative, and each Underwriter severally represents and agrees that, unless it obtains the prior written consent of the Company and the Representative, it has not made and will not make any offer relating to the Securities that would constitute an issuer free writing prospectus or that would otherwise constitute a free writing prospectus required to be filed with the Commission; provided that the prior written consent of the parties hereto shall be deemed to have been given in respect of the free writing prospectuses included in Schedule II. Any such free writing prospectus consented to by the Company and the Representative is hereinafter referred to as a “*Permitted Free Writing Prospectus*.” The Company represents that it has treated or agrees that it will treat each Permitted Free Writing Prospectus as an issuer free writing prospectus, and has complied and will comply with the requirements of Rules 164 and 433 of the Rules and Regulations applicable to any Permitted Free Writing Prospectus. The Company represents that it has satisfied and agrees that it will satisfy the conditions in Rule 433 to avoid a requirement to file with the Commission any electronic road show. Each Underwriter severally represents and agrees that, (A) unless it obtains the prior written consent of the Company and the Representative, it has not distributed, and will not distribute any Written Testing-the-Waters Communication, and (B) any Testing-the-Waters Communication undertaken by it was with entities that are qualified institutional buyers with the meaning of Rule 144A under the Act or institutions that are accredited investors within the meaning of Rule 501 under the Act.

(xiv) *Emerging Growth Company*. The Company will promptly notify Piper Jaffray if the Company ceases to be an Emerging Growth Company at any time prior to the later of (A) completion of the distribution of Securities within the meaning of the Act and (B) completion of the 180-day restricted period referenced to in Section 4(a)(ix) hereof.

(xv) *Directed Share Program*. The Company agrees to pay (i) all fees and disbursements of counsel incurred by the Underwriters in connection with the Directed Share Program, (ii) all costs and expenses incurred by the Underwriters in connection with the printing (or reproduction) and delivery (including postage, air freight charges and charges for counting and packaging) of copies of the Directed Share Program materials and (iii) all stamp duties, similar taxes or duties or other taxes, if any, incurred by the Underwriters in connection with the Directed Share Program. Furthermore, the Company will comply with all applicable securities and other applicable laws, rules and regulations in each foreign jurisdiction in which the Directed Shares are offered in connection with the Directed Share Program.

5. Conditions of Underwriters' Obligations. The obligations of the several Underwriters hereunder are subject to the accuracy, as of the date hereof and at each of the First Closing Date and the Second Closing Date (as if made at such Closing Date), of and compliance with all representations, warranties and agreements of the Company contained herein, to the performance by the Company its obligations hereunder and to the following additional conditions:

(a) *Required Filings; Absence of Certain Commission Actions*. All filings required by Rules 424, 430A and 433 of the Rules and Regulations shall have been timely made (without reliance on Rule 424(b)(8) or Rule 164(b)); no stop order suspending the effectiveness of the Registration Statement or any part thereof or any amendment thereof, nor suspending or preventing the use of the Time of Sale Disclosure Package, the Prospectus or any issuer free writing prospectus shall have been issued; no proceedings for the issuance of such an order shall have been initiated or threatened; and any request of the Commission for additional information (to be included in the Registration Statement, the Time of Sale Disclosure Package, the Prospectus, any issuer free writing prospectus or otherwise) shall have been complied with to your reasonable satisfaction.

(b) Continued Compliance with Securities Laws. No Underwriter shall have advised the Company that (i) the Registration Statement or any amendment thereof or supplement thereto contains an untrue statement of a material fact which, in your opinion, is material or omits to state a material fact which, in your opinion, is required to be stated therein or necessary to make the statements therein not misleading, or (ii) the Time of Sale Disclosure Package or the Prospectus, or any amendment thereof or supplement thereto, or any issuer free writing prospectus contains an untrue statement of fact which, in your opinion, is material, or omits to state a fact which, in your opinion, is material and is required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading.

(c) Absence of Certain Events. Except as contemplated in the Time of Sale Disclosure Package and in the Prospectus, subsequent to the respective dates as of which information is given in the Time of Sale Disclosure Package and the Prospectus, neither the Company nor any of its subsidiaries shall have incurred any material liabilities or obligations, direct or contingent, or entered into any material transactions, or declared or paid any dividends or made any distribution of any kind with respect to its capital stock; and there shall not have been any change in the capital stock (other than a change in the number of outstanding shares of Common Stock due to the issuance of shares upon the exercise of outstanding options or warrants or conversion of convertible securities), or any material change in the short-term or long-term debt of the Company (other than as a result of the conversion of convertible securities), or any issuance of options, warrants, convertible securities or other rights to purchase the capital stock of the Company or any of its subsidiaries, or any Material Adverse Change or any development involving a prospective Material Adverse Change (whether or not arising in the ordinary course of business), that, in your judgment, makes it impractical or inadvisable to offer or deliver the Securities on the terms and in the manner contemplated in the Time of Sale Disclosure Package and in the Prospectus.

(d) Opinion of Company Counsel. On each Closing Date, there shall have been furnished to you, as Representative of the several Underwriters, the opinion of Lowenstein Sandler LLP, counsel for the Company, dated such Closing Date and addressed to you, in form and substance satisfactory to you.

(e) Opinion of Company Intellectual Property Counsel. On each Closing Date, there shall have been furnished to you, as Representative of the several Underwriters, the opinion of Ehrlich & Fenster, special intellectual property counsel for the Company, dated such Closing Date and addressed to you, in form and substance satisfactory to you.

(f) Opinion of Company Regulatory Counsel. On each Closing Date, there shall have been furnished to you, as Representative of the several Underwriters, the opinion of Hogan Lovells US LLP, special regulatory counsel for the Company, dated such Closing Date and addressed to you, in form and substance satisfactory to you.

(g) Opinion of Underwriters' Counsel. On each Closing Date, there shall have been furnished to you, as Representative of the several Underwriters, such opinion or opinions from Goodwin Procter LLP, counsel for the several Underwriters, dated such Closing Date and addressed to you, with respect to the formation of the Company, the validity of the Securities, the Registration Statement, the Time of Sale Disclosure Package or the Prospectus and other related matters as you reasonably may request, and such counsel shall have received such papers and information as they request to enable them to pass upon such matters.

(h) Comfort Letter. On the date hereof, on the effective date of any post-effective amendment to the Registration Statement filed after the date hereof and on each Closing Date you, as Representative of the several Underwriters, shall have received a letter of Brightman Almagor Zohar & Co., a member of Deloitte Touche Tohmatsu Limited, dated such date and addressed to you, in form and substance satisfactory to you.

(i) Officers' Certificate. On each Closing Date, there shall have been furnished to you, as Representative of the Underwriters, a certificate, dated such Closing Date and addressed to you, signed by the chief executive officer and by the chief financial officer of the Company, to the effect that:

(i) The representations and warranties of the Company in this Agreement are true and correct as if made at and as of such Closing Date, and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to such Closing Date; and

(ii) No stop order or other order suspending the effectiveness of the Registration Statement or any part thereof or any amendment thereof or the qualification of the Securities for offering or sale, nor suspending or preventing the use of the Time of Sale Disclosure Package, the Prospectus or any issuer free writing prospectus, has been issued, and no proceeding for that purpose has been instituted or, to the best of their knowledge, is contemplated by the Commission or any state or regulatory body.

(j) Lock-Up Agreement. The Underwriters shall have received all of the Lock-Up Agreements referenced in Section 4(x) and the Lock-Up Agreements shall remain in full force and effect.

(k) Other Documents. The Company shall have furnished to you and counsel for the Underwriters such additional documents, certificates and evidence as you or they may have reasonably requested.

(l) FINRA No Objections. FINRA shall have raised no objection to the fairness and reasonableness of the underwriting terms and arrangements.

(m) Exchange Listing. The Securities to be delivered on such Closing Date will have been approved for listing on the NASDAQ Capital Market, subject to official notice of issuance.

All such opinions, certificates, letters and other documents will be in compliance with the provisions hereof only if they are satisfactory in form and substance to you and counsel for the Underwriters. The Company will furnish you with such conformed copies of such opinions, certificates, letters and other documents as you shall reasonably request.

6. *Indemnification and Contribution.*

(a) Indemnification by the Company.

(i) The Company agrees to indemnify and hold harmless each Underwriter, its affiliates, directors and officers and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, from and against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise (including in settlement of any litigation if such settlement is effected with the written consent of the Company), insofar as such losses, claims, damages or liabilities (or actions in respect thereof) (A) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, including the 430A Information and any other information deemed to be a part of the Registration Statement at the time of effectiveness and at any subsequent time pursuant to the Rules and Regulations, if applicable, any Preliminary Prospectus, the Time of Sale Disclosure Package, the Prospectus, or any amendment or supplement thereto, any issuer free writing prospectus, any issuer information that the Company has filed or is required to file pursuant to Rule 433(d) of the Rules and Regulations, or any Written Testing-the-Waters Communication, or any road show as defined in Rule 433(h) under the Act (a “road show”), or (B) arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by it in connection with investigating or defending against such loss, claim, damage, liability or action as such expenses are incurred; *provided, however*, that the Company will not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to the Company by you, or by any Underwriter through you, specifically for use in the preparation thereof; it being understood and agreed that the only information furnished by an Underwriter consists of the information described as such in Section 6(f).

(ii) The Company agrees to indemnify and hold harmless the Representative, its affiliates, directors and officers and each person, if any, who controls the Representative within the meaning of Section 15 of the Act or Section 20 of the Exchange Act (“*Representative Entities*”), from and against any losses, claims, damages or liabilities, joint or several, to which such Representative Entities may become subject, under the Act or otherwise (including in settlement of any litigation if such settlement is effected with the written consent of the Company), insofar as such losses, claims, damages or liabilities (or actions in respect thereof) (A) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the prospectus wrapper material prepared by or with the consent of the Company for distribution in foreign jurisdictions in connection with the Directed Share Program attached to the Prospectus, any preliminary prospectus or any issuer free writing prospectus, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statement therein, when considered in conjunction with the Prospectus or any applicable preliminary prospectus, not misleading; (B) caused by the failure of any Participant to pay for and accept delivery of the securities which immediately following the effective date of the Registration Statement, were subject to a properly confirmed agreement to purchase; or (C) related to, arising out of, or in connection with the Directed Share Program, except that this clause (C) shall not apply to the extent that such loss, claim, damage or liability is finally judicially determined to have resulted primarily from the gross negligence or willful misconduct of the Representative Entities.

(b) *Indemnification by the Underwriters.* Each Underwriter will, severally and not jointly, indemnify and hold harmless the Company, its affiliates, directors and officers and each person, if any, who controls the Company within the meaning of Section 15 of the Act and Section 20 of the Exchange Act, from and against any losses, claims, damages or liabilities to which the Company may become subject, under the Act or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of such Underwriter), insofar as such losses, claims, damages or liabilities (or actions in respect thereof) (i) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Time of Sale Disclosure Package, the Prospectus, or any amendment or supplement thereto, any issuer free writing prospectus, any issuer information that the Company has filed or is required to file pursuant to Rule 433(d) of the Rules and Regulations, or any Written Testing-the-Waters Communication, or any road show, or (ii) arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in conformity with written information furnished to the Company by you, or by such Underwriter through you, specifically for use in the preparation thereof (it being understood and agreed that the only information furnished by an Underwriter consists of the information described as such in Section 6(f)), and will reimburse the Company for any legal or other expenses reasonably incurred by the in connection with investigating or defending against any such loss, claim, damage, liability or action as such expenses are incurred.

(c) Notice and Procedures. Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve the indemnifying party from any liability that it may have to any indemnified party except to the extent such indemnifying party has been materially prejudiced by such failure (through the forfeiture of substantive rights or defenses). In case any such action shall be brought against any indemnified party, and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in, and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of the indemnifying party's election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that if, in the sole judgment of the Representative, it is advisable for the Underwriters to be represented as a group by separate counsel, the Representative shall have the right to employ a single counsel (in addition to local counsel) to represent the Representative and all Underwriters who may be subject to liability arising from any claim in respect of which indemnity may be sought by the Underwriters under subsection (a) or (b) of this Section 6, in which event the reasonable fees and expenses of such separate counsel shall be borne by the indemnifying party or parties and reimbursed to the Underwriters as incurred. An indemnifying party shall not be obligated under any settlement agreement relating to any action under this Section 6 to which it has not agreed in writing. In addition, no indemnifying party shall, without the prior written consent of the indemnified party (which consent shall not be unreasonably withheld or delayed) effect any settlement of any pending or threatened proceeding unless such settlement includes an unconditional release of such indemnified party for all liability on claims that are the subject matter of such proceeding and does not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an indemnified party. Notwithstanding the foregoing, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel pursuant to this Section 6(c), such indemnifying party agrees that it shall be liable for any settlement effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement. Notwithstanding anything contained herein to the contrary, if indemnity may be sought pursuant to Section 6(a)(ii) hereof in respect of such action or proceeding, then in addition to such separate firm for the indemnified parties, the indemnifying party shall be liable for the reasonable fees and expenses of not more than one separate firm (in addition to any local counsel) for the Representative, the directors, officers, employees and agents of the Representative, and all persons, if any, who control the Representative within the meaning of either the Act or the Exchange Act for the defense of any losses, claims, damages and liabilities arising out of the Directed Share Program

(d) Contribution; Limitations on Liability; Non-Exclusive Remedy. If the indemnification provided for in this Section 6 is unavailable or insufficient to hold harmless an indemnified party under subsection (a), (b) or (c) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a), (b) or (c) above, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters and the parties' relevant intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the first sentence of this subsection (d). The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending against any action or claim which is the subject of this subsection (d). Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total underwriting discounts and commissions received by such Underwriter with respect to the Securities exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint. The remedies provided for in this Section 6 are not exclusive and shall not limit any rights or remedies that might otherwise be available to any indemnified party at law or in equity.

(e) *Information Provided by the Underwriters.* The Underwriters severally confirm and the Company acknowledges that the statements with respect to the public offering of the Securities by the Underwriters set forth under the caption “Underwriting” in the Time of Sale Disclosure Package and in the Prospectus are correct and constitute the only information concerning such Underwriters furnished in writing to the Company by or on behalf of the Underwriters specifically for inclusion in the Registration Statement, any Preliminary Prospectus, the Time of Sale Disclosure Package, the Prospectus or any issuer free writing prospectus.

7. Representations and Agreements to Survive Delivery. All representations, warranties, and agreements of the Company herein or in certificates delivered pursuant hereto, and the agreements of the several Underwriters, the Company contained in Section 6 hereof, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter or any controlling person thereof, or the Company or any of its officers, directors, or controlling persons, and shall survive delivery of, and payment for, the Securities to and by the Underwriters hereunder and any termination of this Agreement.

8. *Substitution of Underwriters.*

(a) *Obligation to Purchase Under Certain Circumstances.* If any Underwriter or Underwriters shall fail to take up and pay for the amount of Firm Shares agreed by such Underwriter or Underwriters to be purchased hereunder, upon tender of such Firm Shares in accordance with the terms hereof, and the amount of Firm Shares not purchased does not aggregate more than 10% of the total amount of Firm Shares set forth in Schedule I hereto, the remaining Underwriters shall be obligated to take up and pay for (in proportion to their respective underwriting obligations hereunder as set forth in Schedule I hereto except as may otherwise be determined by you) the Firm Shares that the withdrawing or defaulting Underwriters agreed but failed to purchase.

(b) *Termination Under Certain Circumstances.* If any Underwriter or Underwriters shall fail to take up and pay for the amount of Firm Shares agreed by such Underwriter or Underwriters to be purchased hereunder, upon tender of such Firm Shares in accordance with the terms hereof, and the amount of Firm Shares not purchased aggregates more than 10% of the total amount of Firm Shares set forth in Schedule I hereto, and arrangements satisfactory to you for the purchase of such Firm Shares by other persons are not made within 36 hours thereafter, this Agreement shall terminate. In the event of any such termination neither the Company shall be under any liability to any Underwriter (except to the extent provided in Section 4(a)(vii) and Section 6 hereof) nor shall any Underwriter (other than an Underwriter who shall have failed, otherwise than for some reason permitted under this Agreement, to purchase the amount of Firm Shares agreed by such Underwriter to be purchased hereunder) be under any liability to the Company (except to the extent provided in Section 6 hereof).

(c) *Postponement of Closing.* If Firm Shares to which a default relates are to be purchased by the non-defaulting Underwriters or by any other party or parties, the Representative or the Company shall have the right to postpone the First Closing Date for not more than seven business days in order that the necessary changes in the Registration Statement, in the Time of Sale Disclosure Package, in the Prospectus or in any other documents, as well as any other arrangements, may be effected. As used herein, the term "Underwriter" includes any person substituted for an Underwriter under this Section 8.

(d) *No Relief from Liability.* No action taken pursuant to this Section shall relieve any defaulting Underwriter from liability, if any, in respect of such default.

9. *Termination.*

(a) *Right to Terminate.* You, as Representative of the several Underwriters, shall have the right to terminate this Agreement by giving notice as hereinafter specified at any time at or prior to the First Closing Date, and the option referred to in Section 3(b), if exercised, may be cancelled at any time prior to the Second Closing Date, if (i) the Company shall have failed, refused or been unable, at or prior to such Closing Date, to perform any agreement on its part to be performed hereunder, (ii) any other condition of the Underwriters' obligations hereunder is not fulfilled, (iii) trading on the NASDAQ Stock Market or New York Stock Exchange shall have been wholly suspended, (iv) minimum or maximum prices for trading shall have been fixed, or maximum ranges for prices for securities shall have been required, on the NASDAQ Stock Market or New York Stock Exchange, by such Exchange or by order of the Commission or any other Governmental Authority, (v) a banking moratorium shall have been declared by federal or state authorities, or (vi) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in your judgment, is material and adverse and makes it impractical or inadvisable to proceed with the completion of the sale of and payment for the Securities. Any such termination shall be without liability of any party to any other party except that the provisions of Section 4(a)(vii) and Section 6 hereof shall at all times be effective.

(b) *Notice of Termination*. If you elect to terminate this Agreement as provided in this Section, the Company shall be notified promptly by you by telephone, confirmed by letter.

10. *Default by the Company.*

(a) *Default by the Company*. If the Company shall fail at the First Closing Date to sell and deliver the number of Securities which it is obligated to sell hereunder, then this Agreement shall terminate without any liability on the part of any Underwriter or, except as provided in Section 4(a)(vii) and Section 6 hereof, any non-defaulting party.

(b) *No Relief from Liability*. No action taken pursuant to this Section shall relieve the so defaulting from liability, if any, in respect of such default.

11. *Notices*. Except as otherwise provided herein, all communications hereunder shall be in writing and, (i) if to the Underwriters, shall be mailed via overnight delivery service or hand delivered via courier, to the Representative c/o Piper Jaffray & Co., 800 Nicollet Mall, Minneapolis, Minnesota 55402, to the attention of Equity Capital Markets and separately, General Counsel, with a copy to Goodwin Procter LLP, 620 Eighth Avenue, New York, New York 10018, Attention: Michael D. Maline and (ii) if to the Company, shall be mailed or delivered to it at 1301 East Broward Blvd, 3rd Floor, Ft. Lauderdale, Florida, 33301, Attention: Andrew Taylor, Chief Financial Officer, with a copy to Lowenstein Sandler LLP, 1251 Avenue of the Americas, New York, New York 10020, Attention: Steven M. Skolnick, or in each case to such other address as the person to be notified may have requested in writing. Any party to this Agreement may change such address for notices by sending to the parties to this Agreement written notice of a new address for such purpose.

12. *Persons Entitled to Benefit of Agreement*. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns and the controlling persons, officers and directors referred to in Section 6. Nothing in this Agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable remedy or claim under or in respect of this Agreement or any provision herein contained. The term "successors and assigns" as herein used shall not include any purchaser, as such purchaser, of any of the Securities from any of the several Underwriters.

13. **Absence of Fiduciary Relationship.** The Company acknowledges and agrees that: (a) the Representative has been retained solely to act as an underwriter in connection with the sale of the Securities and that no fiduciary, advisory or agency relationship between the Company and the Representative has been created in respect of any of the transactions contemplated by this Agreement, irrespective of whether the Representative has advised or are advising the Company on other matters; (b) the price and other terms of the Securities set forth in this Agreement were established by the Company following discussions and arms-length negotiations with the Representative and the Company is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated by this Agreement; (c) it has been advised that the Representative and its affiliates are engaged in a broad range of transactions which may involve interests that differ from those of the Company and that the Representative has no obligation to disclose such interest and transactions to the Company by virtue of any fiduciary, advisory or agency relationship; (d) it has been advised that the Representative is acting, in respect of the transactions contemplated by this Agreement, solely for the benefit of the Representative and the other Underwriters, and not on behalf of the Company; (e) it, he or she waives to the fullest extent permitted by law, any claims it may have against the Representative for breach of fiduciary duty or alleged breach of fiduciary duty in respect of any of the transactions contemplated by this Agreement and agrees that the Representative shall have no liability (whether direct or indirect) to the Company in respect of such a fiduciary duty claim on behalf of or in right of the Company, including stockholders, employees or creditors of the Company.

14. **Governing Law; Waiver of Jury Trial.** This Agreement shall be governed by and construed in accordance with the laws of the State of New York. The Company (on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates), each of the Underwriters hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

15. **Counterparts.** This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original and all such counterparts shall together constitute one and the same instrument.

16. **General Provisions.** This Agreement constitutes the entire agreement of the parties to this Agreement and supersedes all prior written or oral and all contemporaneous oral agreements, understandings and negotiations with respect to the subject matter hereof. This Agreement may not be amended or modified unless in writing by all of the parties hereto, and no condition herein (express or implied) may be waived unless waived in writing by each party whom the condition is meant to benefit. The Section headings herein are for the convenience of the parties only and shall not affect the construction or interpretation of this Agreement.

[Signature Page Follows]

Please sign and return to the Company the enclosed duplicates of this Agreement whereupon this Agreement will become a binding agreement between the Company and the several Underwriters in accordance with its terms.

Very truly yours,

Motus GI Holdings, Inc.

By _____
Mark Pomeranz
Chief Executive Officer

Confirmed as of the date first
above mentioned, on behalf of
itself and the other several
Underwriters named in Schedule I
hereto.

Piper Jaffray & Co.

By _____
Managing Director

SCHEDULE I

Underwriter

Number of Firm Shares (1)

Piper Jaffray & Co.

[•]

Total

[•]

(1) The Underwriters may purchase up to an additional [•] Option Shares, to the extent the option described in Section 3(b) of the Agreement is exercised, in the proportions and in the manner described in the Agreement.

SCHEDULE II

Certain Permitted Free Writing Prospectuses

None.

SCHEDULE III

Pricing Information

Number of Firm Shares: [●]

Number of Option Shares: [●]

Price to the public: [●]

Underwriting discount: [●]

SCHEDULE IV

Testing-the-Waters Communication

· Motus_Corporate Presentation_11.14.2017

EXHIBIT A

Form of Lock-Up Agreement

[DATE], 2017

Motus GI Holdings, Inc.
1301 East Broward Boulevard, Suite 310
Fort Lauderdale, Florida 33301

Ladies and Gentlemen:

The undersigned, a stockholder of Motus GI Holdings, Inc., a Delaware corporation (the "**Company**"), is delivering this Lock-Up Letter Agreement (this "**Agreement**") to you in connection with a potential initial public offering (the "**Offering**") by the Company, of its common stock, \$0.0001 par value per share (the "**Common Stock**") pursuant to a Registration Statement on Form S-1 to be filed with the Securities and Exchange Commission ("**SEC**"). As used in this Agreement, "**Relevant Security**" means the Common Stock and any other equity security of the Company or any of its subsidiaries and any security convertible into, or exercisable or exchangeable for, any Common Stock or other such equity security of the Company, whether now owned or hereinafter acquired (except for shares of Common Stock acquired in the Offering or in the open market subsequent to the Offering), owned directly by the undersigned (including holding as custodian) or with respect to which the undersigned has beneficial ownership within the rules and regulations of the SEC.

To induce any underwriters which you may engage to agree to act for the Company as underwriters in an Offering (collectively, the "**Underwriters**") and to underwrite the Offering, the undersigned hereby agrees that, without the prior written consent of the lead representative of the Underwriters (the "**Representative**"), during the period from the date hereof until one hundred eighty (180) days from the date of the final prospectus for the Offering (the "**Lock-Up Period**"), the undersigned:

- (x) will not, directly or indirectly, offer, sell, agree to offer or sell, solicit offers to purchase, grant any call option or purchase any put option with respect to, hypothecate, pledge, borrow or otherwise dispose of or agree to dispose of, directly or indirectly, any Relevant Security, and
- (y) will not establish or increase any "put equivalent position" or liquidate or decrease any "call equivalent position" with respect to any Relevant Security (in each case within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and the rules and regulations promulgated thereunder), or otherwise enter into any swap, derivative or other transaction or arrangement that transfers to another, in whole or in part, any economic consequences of ownership of any Relevant Security, whether or not such transaction is to be settled by delivery of Relevant Securities, other securities, cash or other consideration;

or publicly announce any intention to effect any transaction specified in clause (x) or (y); *provided, however*, that restrictions described in clauses (x) and (y) do not apply to:

- (a) transfers of Relevant Securities as a *bonafide* gift, bequest, inheritance or for no consideration, provided that each donee or beneficiary agrees to be bound in writing by the restrictions set forth herein, including without limitation, clauses (x) and (y) above;
- (b) the sale of Relevant Securities by the undersigned to the Underwriters; or
- (c) a distribution of Relevant Securities to stockholders, partners or members of the undersigned, provided that such stockholders, partners or members agree to be bound in writing by the restrictions set forth herein, including without limitation, clauses (x) and (y) above.

If the undersigned is an officer or director of the Company, the undersigned further agrees that the restrictions set forth herein, including without limitation, clauses (x) and (y) above, shall be equally applicable to any issuer-directed Relevant Securities the undersigned may purchase in the offering.

The undersigned hereby waives any rights the undersigned may have to require registration of Common Stock in connection with the filing of a registration statement relating to the Offering. The undersigned further agrees that, for the Lock-Up Period, the undersigned will not, without the prior written consent of the Representative, make any demand for, or exercise any right with respect to, the registration of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock. In addition, the undersigned hereby waives any and all preemptive rights, participation rights, resale rights, rights of first refusal and similar rights that the undersigned may have in connection with the Offering.

The undersigned hereby authorizes the Company during the Lock-Up Period to cause any transfer agent and registrar for the Relevant Securities to decline to transfer (except in compliance with the foregoing restrictions), and to note stop transfer restrictions on the stock register and other records relating to, Relevant Securities for which the undersigned is the record holder and, in the case of Relevant Securities for which the undersigned is the beneficial but not the record holder, agrees during the Lock-Up Period to cause the record holder to cause the relevant transfer agent and registrar to decline to transfer (except in compliance with the foregoing restrictions), and to note stop transfer restrictions on the stock register and other records relating to, such Relevant Securities. The undersigned hereby further agrees that, without the prior written consent of the Representative, during the Lock-Up Period the undersigned:

- (i) other than in the undersigned's capacity as an officer and/or director of the Company (if applicable) in connection with the Offering, will not file or participate in the filing with the SEC of any Registration Statement, or circulate or participate in the circulation of any preliminary or final prospectus or other disclosure document with respect to any proposed offering or sale of a Relevant Security; and

- (ii) will not exercise any rights the undersigned may have to require registration with the SEC of any proposed offering or sale of a Relevant Security.

If (a) the Company notifies you in writing (which shall include notice provided by e-mail) that it does not intend to proceed with the Offering or (b) the Registration Statement to be filed with the SEC with respect to the Offering is withdrawn, this Agreement shall terminate on such date and the undersigned shall be released from the undersigned's obligations under this Agreement.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Agreement and that this Agreement constitutes the legal, valid and binding obligation of the undersigned, enforceable in accordance with its terms. In addition, the undersigned understands that the Company and the Underwriters will be relying upon this Agreement in proceeding toward consummation of the Offering.

The Underwriters and their Representative are intended third party beneficiaries of this Agreement. The undersigned understands that the Company has not yet engaged any Underwriters and that such Underwriters may have their own form of Lock-up Agreement or may require amendments to the Agreement. Upon request, the undersigned agrees that it will execute any additional documents reasonably required or requested by the Representative to replace, amend or supplement this Agreement, to verify that the Representative and the Underwriters are beneficiaries of and may rely on this Agreement and that are otherwise necessary or desirable in connection with enforcement of this Agreement, so long as such replacement, amendment or supplement is requested of all equity holders who have signed this form of Agreement. Any obligations of the undersigned shall be binding upon the heirs, legal representatives, successors and assigns of the undersigned.

[Signature Page to Follow]

This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware. The exchange of copies of this Agreement and of signature pages by facsimile transmission or by e-mail delivery of a “.pdf” or other electronic format data file shall constitute effective execution and delivery of this Agreement as to the parties, shall be deemed to be their original signatures for all purposes and may be used in lieu of the original Agreement for all purposes.

HOLDER:

(Printed Name)

(Signature)

(Title, if Holder is not a natural person)

(Name of joint Holder or other person whose signature is required)

(Signature)

(Title, if joint Holder is not a natural person)

EXHIBIT B

**Form of Company Press Release for Waivers or Releases
of Officer/Director Lock-Up Agreements**

Motus GI Holdings, Inc.

[Date]

Motus GI Holdings, Inc. (the “Company”) announced today that Piper Jaffray & Co., the sole book-running manager is [waiving] [releasing] [a] lock-up restriction[s] with respect to an aggregate of [] of common shares held by certain [officers] [directors] of the Company. These [officers] [directors] entered into lock-up agreements with Piper Jaffray & Co. in connection with the Company’s initial public offering.

This [waiver] [release] will take effect on [date that is at least 2 business days following date of this press release].

This press release is not an offer for sale of the securities in the United States or in any other jurisdiction where such offer is prohibited, and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS. THESE SECURITIES, AND ANY INTEREST THEREIN, MAY NOT BE OFFERED, SOLD, ASSIGNED OR OTHERWISE TRANSFERRED UNLESS (1) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR (2) AN EXEMPTION FROM SUCH REGISTRATION EXISTS AND THE COMPANY RECEIVES AN OPINION OF COUNSEL TO THE HOLDER OF SUCH SECURITIES, WHICH COUNSEL AND OPINION ARE SATISFACTORY TO THE COMPANY, THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR TRANSFERRED IN THE MANNER CONTEMPLATED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR APPLICABLE STATE SECURITIES LAWS.

Effective Date:

MOTUS GI HOLDINGS, INC.

ROYALTY PAYMENT RIGHTS CERTIFICATE

Motus GI Holdings, Inc., a Delaware corporation (the "**Company**"), for value received on (the "**Effective Date**"), hereby issues to (the "**Certificate Holder**") this Royalty Payment Rights Certificate (the "**Certificate**") to receive % of the aggregate Royalty Amount payable from time to time to the Holders of the Royalty Payment Rights Certificates (the "**Certificate Payment**"). This Certificate is one of a series of payment rights certificates of like tenor that have been issued to the former holders of the Company's Series A Convertible Preferred Stock, par value \$0.0001 per share (the "**Series A Convertible Preferred Stock** ") which have been converted into fully paid and non-assessable shares of the Company's common stock, par value \$0.0001 per share (the "**Common Stock**") in connection with the Company's mandatory conversion of all outstanding Series A Convertible Preferred Stock on . All capitalized terms used but not otherwise defined herein shall have the meaning ascribed to such terms in Exhibit A, attached hereto.

1. DURATION OF CERTIFICATE

(a) Timing of Payments to Certificate Holder. The Certificate Holder will be entitled to receive the Certificate Payments as described in Section (c) of Exhibit A, attached hereto.

(b) Royalty Period. This Certificate shall become void and of no value upon the expiration of the Royalty Term.

2. ISSUANCE OF CERTIFICATE

The Company shall register this Certificate upon records to be maintained by the Company for that purpose in the name of the record holder of such Certificate from time to time. The Company may deem and treat the registered Certificate Holder of this Certificate as the absolute owner thereof for the purpose of any Certificate Payments to the Certificate Holder thereof and for all other purposes.

3. TRANSFERS AND EXCHANGES OF CERTIFICATE

(a) Registration of Transfers and Exchanges. Subject to Section 3(c), upon the Certificate Holder's surrender of this Certificate, with a duly executed copy of the Form of Assignment attached as **Exhibit B** and a written opinion of legal counsel addressed to the Company that the proposed transfer of the Certificate may be effected without registration under the Securities Act of 1933, as amended (the "**Securities Act**"), which opinion will be in form and from counsel reasonably satisfactory to the Company, to the Secretary of the Company at its principal offices or at such other office or agency as the Company may specify in writing to the Certificate Holder, the Company shall register the transfer of all or any portion of this Certificate. Upon such registration of transfer, the Company shall issue a new Certificate, in substantially the form of this Certificate, evidencing the rights to receive Certificate Payments transferred, to the transferee, and a new Certificate, in similar form, evidencing the remaining rights to receive Certificate Payments not transferred, to the Certificate Holder requesting the transfer.

(b) Certificate Exchangeable for Different Denominations. The Certificate Holder may exchange this Certificate for a new Certificate or Certificates, in substantially the form of this Certificate, evidencing in the aggregate the right to receive the Certificate Payment which may then be received hereunder, each of such new Certificates to be dated the date of such exchange and to represent the right to receive such percentage of Certificate Payments as shall be designated by the Certificate Holder. The Certificate Holder shall surrender this Certificate with duly executed instructions regarding such re-certification of this Certificate to the Secretary of the Company at its principal offices or at such other office or agency as the Company may specify in writing to the Certificate Holder.

(c) Restrictions on Transfers. This Certificate may not be transferred at any time without (i) registration under the Securities Act or (ii) an exemption from such registration and a written opinion of legal counsel addressed to the Company that the proposed transfer of the Certificate may be effected without registration under the Securities Act, which opinion will be in form and from counsel reasonably satisfactory to the Company.

(d) Permitted Transfers and Assignments. Notwithstanding any provision to the contrary in this Section 3, the Certificate Holder may transfer, with or without consideration, this Certificate (or a portion thereof) to the Certificate Holder's Affiliates (as such term is defined under Rule 144 of the Securities Act) without obtaining the opinion from counsel that may be required by Section 3(c)(ii), provided, that the Certificate Holder delivers to the Company and its counsel certification, documentation and other assurances reasonably required by the Company's counsel to enable the Company's counsel to render an opinion to the Company's transfer agent that such transfer does not violate applicable securities laws.

4. MUTILATED OR MISSING CERTIFICATE

If this Certificate is mutilated, lost, stolen or destroyed, upon request by the Certificate Holder, the Company will, at its expense, issue, in exchange for and upon cancellation of the mutilated Certificate, or in substitution for the lost, stolen or destroyed Certificate, a new Certificate, in substantially the form of this Certificate, representing the right to receive the equivalent amount of Certificate Payments; provided, that, as a prerequisite to the issuance of a substitute Certificate, the Company may require satisfactory evidence of loss, theft or destruction as well as an indemnity from the Certificate Holder of a lost, stolen or destroyed Certificate.

5. NO RIGHTS IN COMPANY'S SECURITIES

No holder of this Certificate, as such, shall be entitled to vote or be deemed the holder of any other securities of the Company, nor shall anything contained herein be construed to confer upon the holder of this Certificate, as such, the rights of a stockholder of the Company or the right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or give or withhold consent to any corporate action or to receive notice of meetings or other actions affecting stockholders (except as provided herein), or to receive dividends or subscription rights or otherwise.

6. NOTICES

All notices, consents, waivers and other communications under this Certificate must be in writing and will be deemed given to a party when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid); (b) sent by facsimile or email with confirmation of transmission by the transmitting equipment; (c) received or rejected by the addressee, if sent by certified mail, return receipt requested, if to the registered Certificate Holder hereof; or (d) seven (7) days after the placement of the notice into the mails (first class postage prepaid), to the Certificate Holder at the address, facsimile number or email address furnished by the registered Certificate Holder to the Company, or if to the Company, to it at 1301 East Broward Boulevard, 3rd Floor, Ft. Lauderdale, FL 33301, Attn: Chief Financial Officer (or to such other address, facsimile number or email address as the Certificate Holder or the Company as a party may designate by notice to the other party).

7. SEVERABILITY

If a court of competent jurisdiction holds any provision of this Certificate invalid or unenforceable, the other provisions of this Certificate will remain in full force and effect. Any provision of this Certificate held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

8. BINDING EFFECT

This Certificate shall be binding upon and inure to the sole and exclusive benefit of the Company, its successors and assigns, and the registered Certificate Holder or Certificate Holders from time to time of this Certificate.

9. GOVERNING LAW

This Certificate will be governed by and construed under the laws of the State of New York without regard to conflicts of laws principles that would require the application of any other law.

10. DISPUTE RESOLUTION

In the case of a dispute as to the arithmetic calculation(s) of the Royalty Amount and/or the Certificate Payment, the Company shall submit the disputed arithmetic calculation(s), via facsimile within two (2) Business Days of receipt of a written notice from the Certificate Holder giving rise to such dispute, to the Certificate Holder. If the Certificate Holder and the Company are unable to agree upon such arithmetic calculation(s) of the Royalty Amount and/or the Certificate Payment within three (3) Business Days of such disputed arithmetic calculation(s) being submitted to the Certificate Holder, then the Company shall, within two (2) Business Days, submit via facsimile the disputed arithmetic calculation(s) of the Royalty Amount and/or the Certificate Payment to the Company's independent, outside accountant. The Company shall cause at its expense the accountant to perform the arithmetic calculation(s) and notify the Company and the Certificate Holder of the results no later than ten (10) Business Days from the time it receives the disputed arithmetic calculation(s). Such accountant's arithmetic calculation(s) shall be binding upon all parties absent demonstrable error.

11. NO THIRD PARTY RIGHTS

This Certificate is not intended, and will not be construed, to create any rights in any parties other than the Company and the Certificate Holder, and no person or entity may assert any rights as a third-party beneficiary hereunder.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Certificate to be duly executed as of the date first set forth above.

MOTUS GI HOLDINGS, INC.

By: _____
Name:
Title:

[Signature Page to Royalty Payment Rights Certificate]

EXHIBIT A

ROYALTY PAYMENT RIGHTS

The Holders of the Royalty Payments Rights Certificates (the “**Royalty Payment Rights Certificates**”) of Motus GI Holdings, Inc. (the “**Company**”) have the royalty payment rights (the “**Royalty Payment Rights**”), as set forth in and subject to the terms and conditions of this **Exhibit A** to this Royalty Payment Rights Certificate.

Section (a) Definitions. For purposes of this **Exhibit A**, the following terms have the following meanings:

“**Affiliate**” means any Person controlled directly or indirectly through one or more intermediaries by the Company. A Person shall be regarded as in control of the Company if the Company owns or directly or indirectly controls more than fifty percent (50%) of the voting stock or other ownership interest of the other Person, or if it possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such Person.

“**Business Day**” means any day except Saturday, Sunday, any day which shall be a federal legal holiday in the United States and any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

“**First Commercial Sale**” means, on a country by country basis, with respect to a Product, the first *bona fide* sale of such Product to a third party by or on behalf of the Company or its Affiliates in a country after Regulatory Approval has been achieved for such Product in such country. For greater certainty, sales for test marketing, sampling and promotional uses, clinical trial purposes or compassionate or similar use shall not be considered to constitute a First Commercial Sale, so long as the Product is provided free of charge, or at or below cost.

“**Holder**” shall mean the owner of the Royalty Payment Rights Certificate.

“**Licensing Proceeds**” means all cash received by the Company and its Affiliates from third party licensees or partners with respect to licensing or partnering arrangements with respect to a Product, including, without limitation, (i) royalties based on sales of Products by third party licensees or their sublicensees; (ii) any licensing fees (including, without limitation, upfront fees) for rights to develop or commercialize Products, or other payments in connection with the licensing of rights with respect to Products; (iii) milestone payments (including without limitation, those based on development, regulatory or commercialization milestones for Products); and (iv) research and development funding.

“**Net Sales**” means for any period, the gross amount invoiced by the Company and its Affiliates for the sale of Products (including, without limitation, third party agents, distributors and wholesalers), less the total of the following, to the extent applicable:

- (i) trade, cash and/or quantity discounts not already reflected in the amount invoiced;
- (ii) all excise, sales and other consumption taxes (including VAT) and custom duties, whether or not specifically identified as such in the invoice to the third party;
- (iii) freight, distribution, insurance and other transportation charges, whether or not specifically identified as such in the invoice to the third party;
- (iv) amounts repaid or credited by reason of rejections, defects or returns or because of chargebacks, retroactive price reductions, refunds or billing errors;
- (v) any royalty amounts or license fees payable by the Company to a non-Affiliate third party for access to, or licensing of, such non-Affiliate third party's intellectual property rights for use or exploitation of the Products; and
- (vi) rebates and similar payments made with respect to sales paid for or reimbursed by any governmental or regulatory authority such as, by way of illustration, United States Federal or state Medicaid, Medicare or similar state program or equivalent foreign governmental program.

For purposes of determining Net Sales, "sale" will not include transfers or dispositions for charitable, promotional, pre-clinical, clinical, regulatory or governmental purposes. "Net Sales" also excludes all Licensing Proceeds received by the Company and its Affiliates from third party licensees to the extent that a royalty payment has otherwise been made with respect to such Licensing Proceeds.

"Patent" shall mean all national, regional and international (a) issued patents, including without limitation utility patents, design patents and utility models; (b) pending patent applications (whether provisional or non-provisional); (c) divisionals, continuations, continuations-in-part, substitutions, reissues, reexaminations, extensions or restorations of any of the foregoing, and patents resulting from any opposition or post-grant proceedings, including without limitation post-grant review, covered business method patent review, inter partes review and derivation proceedings; and (d) any other forms of governmental authority issued rights substantially similar to any of the foregoing.

"Person" means an individual, entity, corporation, partnership, association, limited liability company, limited liability partnership, joint-stock company, trust or unincorporated organization.

"Product" means either (i) the Pure-Vu system, including disposables, parts and services or (ii) any other system or device that is covered by a Patent issued to or issuable to the Company as of December 20, 2016.

"Record Date" means the third Business Day prior to the applicable date, as determined in Section (c) of this Exhibit A, on which a Royalty Amount is payable by the Company.

“Regulatory Approval” means the approval of the Company’s Pure-Vu system product candidate by the U.S. Food and Drug Administration or the European Medicines Agency.

“Royalty Amount” shall have the meaning set forth in Section (b) of this Exhibit A.

“Royalty Term” means, with respect to each Product, on a country by country basis in each country, commencing on the First Commercial Sale of the Product, if the Company is commercializing the Product directly, or the date the Company enters into a licensing agreement or partnering agreement for such Product until the last of:

- (i) the expiration of the last to expire of the Valid Claims covering such Product in such country; or
- (ii) the expiration of any regulatory exclusivity period covering such Product in such country.

For clarity, by way of example, the Royalty Term in the United States extends to October 2026 as of December 20, 2016, which period may be altered by the prosecution of the Company’s Patent claims and new Patent filings from time-to-time.

“Valid Claim” means a claim (i) of an issued and unexpired United States Patent that has not been revoked or held permanently unenforceable or invalid by a decision of a court or other governmental agency of competent jurisdiction, unappealable or unappealed within the time allowed for appeal, and which has not been admitted to be invalid or unenforceable through re-issue or disclaimer or otherwise or (ii) of any Patent application included that has not been cancelled, withdrawn or abandoned or been pending for more than six (6) years.

Section (b) Royalties. During the Royalty Term, the Company will pay to the Holders, with the allocation between Holders determined as set forth in Section (d) of this Exhibit A, in aggregate, a royalty in an amount (referred to as the **“Royalty Amount”**) equal to:

| <u>Company Commercializes Product Directly</u> | <u>The Rights to Commercialize the Product is Sublicensed by Company to a Third-Party</u> |
|--|---|
| 3.0% of any Net Sales.* | 5.0% of any Licensing Proceeds.** |

* Notwithstanding the foregoing, with respect to Net Sales based Royalty Amounts, (a) no Net Sales based Royalty Amount shall begin to accrue or become payable until the Company has first generated, in the aggregate, since its inception, Net Sales equal to \$20 million (the **“Initial Net Sales Milestone”**), and royalties shall only be computed on, and due with respect to, Net Sales generated in excess of the Initial Net Sales Milestone, and (b) the total Net Sales based Royalty Amount due and payable in any calendar year shall be subject to a cap per calendar year of \$30 million.

** Notwithstanding the foregoing, with respect to Licensing Proceeds based Royalty Amounts, (a) no Licensing Proceeds based Royalty Amount shall begin to accrue or become payable until the Company has first generated, in the aggregate, since its inception, Licensing Proceeds equal to \$3.5 million (the **“Initial Licensing Proceeds Milestone”**), and royalties shall only be computed on, and due with respect to, Licensing Proceeds in excess of the Initial Licensing Proceeds Milestone, and (b) the total Licensing Proceeds based Royalty Amount due and payable in any calendar year shall be subject to a cap per calendar year of \$30 million.

Section (c) Timing of Royalty Payments. With respect to Products that the Company commercializes directly, royalty payments, if any, will be paid annually fifteen (15) Business Days after the issuance of the Company's audited financial statements for the prior year in which such Net Sales were generated by the Company; for the avoidance of doubt, such payments shall begin only upon achievement of the Initial Net Sales Milestone without regard to whether the Initial Licensing Proceeds Milestone has been met. With respect to Products that the Company sublicenses or otherwise disposes of to a third-party, royalty payments, if any, will be paid ten (10) Business Days after the end of the applicable quarter in which such Licensing Proceeds were received by the Company; for the avoidance of doubt, such payments shall begin only upon achievement of the Initial Licensing Proceeds Milestone without regard to whether the Initial Net Sales Milestone has been met.

Section (d) Allocation of Royalty Payment. Once the Royalty Amount has been calculated as set forth in Section (b) of this Exhibit A, the royalty payable to each Holder shall be calculated by multiplying the Royalty Amount by the percentage set forth in each Holder's Royalty Payment Rights Certificate.

Section (e) Certificated Rights. The Royalty Payment Rights shall solely be evidenced by the Royalty Payment Rights Certificates. Only the registered holder, as reflected on the Company's books and records, on the applicable Record Date has any right to receive a Royalty Payment.

Section (f) Unsecured Obligations. The Royalty Payment Rights are unsecured obligations of the Company.

Section (g) Amendments, Modifications and Waivers. All amendments, modifications or waivers to the Royalty Payment Rights shall require the written consent of the Company and the holders of Royalty Payment Rights Certificates representing, in the aggregate, the right to receive at least 50% of any Royalty Amount payable by the Company.

EXHIBIT B

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers to each assignee set forth below all of the rights of the undersigned under the Certificate (as defined in and evidenced by the attached Certificate) to receive the percentage of the Certificate Payment set opposite the name of such assignee below, and in and to the foregoing Certificate with respect to said rights to receive Certificate Payments:

| Name of Assignee | Address | Certificate Payment Percentage |
|------------------|---------|--------------------------------------|
| | | |
| | | |
| | | |
| | | |

If the total above does not represent all of the Certificate Payment evidenced by the foregoing Certificate, the undersigned requests that a new Certificate evidencing the right to receive the remaining portion of the Certificate Payment not so assigned be issued in the name of and delivered to the undersigned.

Name of Holder (print): _____
Signature: _____
By: _____
Title: _____
Dated: _____

January 31, 2018

Motus GI Holdings, Inc.
Keren Hayesod 22
Tirat Carmel, Israel, 3902638

Ladies and Gentlemen:

We have acted as counsel for Motus GI Holdings, Inc., a Delaware corporation (the "Company"), in connection with the preparation and filing of a Registration Statement on Form S-1 (File No. 333-222441) (the "Registration Statement"), including a related prospectus filed with the Registration Statement (the "Prospectus"), with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Act of 1933, as amended (the "Securities Act"), covering an underwritten public offering of up to 4,887,500 shares (the "Shares") of common stock par value \$0.0001 per share (the "Common Stock"), including 637,500 Shares that may be sold by the Company pursuant to the exercise of an over-allotment option granted to the underwriters. The Shares are to be sold by the Company pursuant to an underwriting agreement (the "Underwriting Agreement") to be entered into between the Company and the several underwriters named therein. This opinion is being rendered in connection with the filing of the Registration Statement with the Commission.

In connection with this opinion, we have examined originals or copies (certified or otherwise identified to our satisfaction) of (i) the Company's Certificate of Incorporation, filed as Exhibit 3.1 to the Registration Statement and Certificate of Amendment of the Certificate of Incorporation, filed as Exhibit 3.2 to the Registration Statement, each as currently in effect and (ii) the Company's Bylaws, filed as Exhibit 3.3 to the Registration Statement, as currently in effect, (iii) the Registration Statement and related Prospectus, (iv) the form of Underwriting Agreement and (v) such corporate records, agreements, documents and other instruments, and such certificates or comparable documents of public officials or of officers and representatives of the Company, as we have deemed relevant and necessary as a basis for the opinion hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of all natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, conformed or photostatic copies, and the authenticity of the originals of such latter documents. As to certain questions of fact material to this opinion, we have relied upon certificates or comparable documents of officers and representatives of the Company and have not sought to independently verify such facts.

Based on the foregoing, and subject to the assumptions, limitations and qualifications stated herein, we are of the opinion that the Shares, when issued and sold as contemplated in the Registration Statement and the related Prospectus, and upon payment and delivery in accordance with the Underwriting Agreement, will be validly issued, fully paid and non-assessable.

The opinion expressed herein is limited to the General Corporation Law of the State of Delaware (including reported judicial decisions interpreting the General Corporation Law of the State of Delaware) and we express no opinion as to the effect on the matters covered by this letter of the laws of any other jurisdiction.

We hereby consent to the filing of this letter as an exhibit to the Registration Statement and to the reference to our firm under the caption "Legal Matters" in the Prospectus which is a part of the Registration Statement. In giving such consents, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act or the Rules and Regulations of the Commission promulgated thereunder.

Very truly yours,

/s/ Lowenstein Sandler LLP

Lowenstein Sandler LLP

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Amendment No. 2 to Registration Statement No. 333-222441 on Form S-1/A of our report dated April 7, 2017 (except for Note 1(B), as to which the date is January 5, 2018) relating to the financial statements of Motus GI Holdings, Inc. (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the substantial doubt as to the Company's ability to continue as a going concern) appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ Brightman Almagor Zohar & Co.

Brightman Almagor Zohar & Co.,
Certified Public Accountants
Member of Deloitte Touche Tohmatsu Limited

Tel Aviv, Israel
January 31, 2018
