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As confidentially submitted to the Securities and Exchange Commission on November 16, 2018

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form F-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Brainsway Ltd.

(Exact Name of Registrant as Specified in its Charter)

State of Israel	**3841**	**Not Applicable**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

19 Hartum Street
Bynet Building, 3rd Floor
Har HaHotzvim
Jerusalem, 9777518, Israel
(+972-2) 582-4030
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Brainsway USA, Inc.
Address: 3 University Plaza, Drive,
Hackensack, New Jersey, 07601, USA
Telephone: +1 (844) 386-7001
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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Approximate date of commencement of proposed sale to the public:
As soon as practicable after effectiveness 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. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) 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. o

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. o

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. o

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933. Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. o

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(3)
Ordinary shares, par value NIS 0.04 per share	$	$

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended (the "Securities Act").

(2) Includes ordinary shares that the underwriters may purchase pursuant to their option to purchase additional ordinary shares.

(3) Calculated pursuant to Rule 457(o) under the Securities Act based on an estimate of the proposed maximum aggregate offering price.

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 or until the registration statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.

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SUBJECT TO COMPLETION, DATED NOVEMBER 16, 2018

PRELIMINARY PROSPECTUS

Shares

Brainsway Ltd.

Ordinary Shares

We are offering of our ordinary shares, par value NIS 0.04 per share. This is our initial public offering in the United States, and no public market currently exists in the United States for our ordinary shares. We intend to list our ordinary shares on the Nasdaq Global Market, or Nasdaq, under the symbol "BWAY". We anticipate that the initial public offering price for our ordinary shares will be between $ and $ per share.

Our ordinary shares are listed on the Tel Aviv Stock Exchange, or the TASE, under the symbol "BRIN". On November 15, 2018, the last reported sale price of our ordinary shares of the TASE was NIS 23.07, or $6.21 per share (based on the exchange rate reported by the Bank of Israel on such date, which was NIS 3.659 = US$1.00).

We are an "emerging growth company," under the federal securities laws and, as such, will be subject to reduced public company reporting requirements. See "Prospectus Summary — Implications of Being an Emerging Growth Company and a Foreign Private Issuer."

Investing in our ordinary shares involves a high degree of risk. See "Risk Factors" beginning on page 11 of this prospectus.

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.

	Per share	Totals
Public Offering Price	$	$
Underwriting Discounts and Commission (1)	$	$
Proceeds to Brainsway Ltd. (before expenses)	$	$

(1) See "Underwriting" beginning on page 158 of this prospectus for a description of compensation payable to the underwriters.

Delivery of the ordinary shares is expected to be made on or about , 2018. We have granted the underwriters an option for a period of 30 days to purchase up to an additional ordinary shares. If the underwriters exercise the option in full, the total underwriting discounts and commissions payable by us will be $, and the total proceeds to us, before expenses, will be $.

Cantor

Prospectus dated , 2018

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ABOUT THIS PROSPECTUS

Neither we nor any of the underwriters have authorized anyone to provide information different from that contained in this prospectus, any amendment or supplement to this prospectus or in any free writing prospectus prepared by us or on our behalf. When you make a decision about whether to invest in our ordinary shares, you should not rely upon any information other than the information in this prospectus, any amendment or supplement to this prospectus and any free writing prospectus prepared by us or on our behalf. Neither the delivery of this prospectus nor the sale of our ordinary shares means that information contained in this prospectus is correct after the date of this prospectus. This prospectus is not an offer to sell or solicitation of an offer to buy these ordinary shares in any circumstances under which the offer or solicitation is unlawful.

We report under International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or the IASB. None of our financial statements were prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP.

All references to "Brainsway," "we," "us," "our," "the Company" and similar designations refer to Brainsway Ltd. and its consolidated subsidiaries. The terms "shekels," "Israeli shekels" and "NIS" refer to New Israeli Shekels, the lawful currency of the State of Israel, the terms "dollar," "US$" or "$" refer to U.S. dollars, the lawful currency of the United States.

The "Brainsway" name and design logo are our registered trademarks. Solely for convenience, the trademarks, service marks, and trade names referred to in this prospectus are without the ® and ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks and trade names. This prospectus contains additional trademarks, service marks and trade names of others, which are the property of their respective owners. All trademarks, service marks and trade names appearing in this prospectus are, to our knowledge, the property of their respective owners. We do not intend our use or display of other companies' trademarks, service marks or trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

This prospectus includes statistics and other data relating to markets, market sizes and other industry data pertaining to our business that we have obtained from industry publications and surveys and other information available to us. Industry publications and surveys generally state that the information contained therein has been obtained from sources believed to be reliable. Market data and statistics are inherently predictive and speculative and are not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. In addition, the value of comparisons of statistics for different markets is limited by many factors, including that (i) the markets are defined differently, (ii) the underlying information was gathered by different methods and (iii) different assumptions were applied in compiling the data. Accordingly, the market statistics included in this prospectus should be viewed with caution. We believe that information from these industry publications included in this prospectus is reliable.

No action is being taken in any jurisdiction outside the United States to permit a public offering of the ordinary shares or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of the prospectus applicable to that jurisdiction.

PROSPECTUS SUMMARY

This summary does not contain all of the information you should consider before investing in our ordinary shares. You should read this summary together with the more detailed information appearing in this prospectus, including "Risk Factors," "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and our financial statements and the related notes included at the end of this prospectus, before making an investment in our ordinary shares.

Overview

We are a commercial stage medical device company focused on the development and sale of non-invasive neuromodulation products using our proprietary Deep Transcranial Magnetic Stimulation (Deep TMS) technology for the treatment of major depressive disorder (MDD) and obsessive-compulsive disorder (OCD), for which we have received marketing authorization from the U.S. Food and Drug Administration (FDA). Deep TMS uses magnetic pulses to stimulate neurons and consequently modulates the physiological activity of the brain. Our proprietary electromagnetic coils, which we refer to as H-Coils, are designed to safely stimulate deep and broad brain regions, which we believe provides an advantage over other available TMS products, which we refer to collectively as Focal TMS, that generally use a "figure 8" design. We believe that our Deep TMS technology has the potential to be safe and effective for the treatment of a wide range of psychiatric, neurological and addiction disorders beyond MDD and OCD.

MDD is a common and debilitating mental disorder characterized by physiological symptoms, such as sleep disturbance and changes in appetite, emotional symptoms, such as sadness, despair, emptiness, self-hate and critique, and cognitive symptoms, such as difficulty concentrating, memory dysfunction, suicidal thinking and faulty judgment of reality. According to a 2015 study by the World Health Organization (WHO), MDD affects approximately 300 million people worldwide, with the rate of depression increasing in developed countries. The U.S. National Institute of Mental Health (NIMH) estimates that 16.2 million individuals in the United States suffer from a major depressive episode in any given year. Based on 2006-2007 data from the Sequenced Treatment Alternatives to Relieve Depression (STAR*D) study, we estimate that approximately 4.9 million adult MDD patients in the United States are considered treatment-resistant (i.e., do not benefit from anti-depressant medication), of which we estimate that approximately 3.4 million or more are currently eligible to receive reimbursement for Deep TMS from either governmental or private insurers. Assuming our expected revenues for a course of treatment under our existing pricing models, we believe our total annual addressable market opportunity for MDD in the United States is approximately $8 billion.

OCD is a common, chronic and long-lasting disorder in which a person has uncontrollable, reoccurring thoughts (obsessions) and behaviors (compulsions) that he or she feels the urge to repeat over and over in a manner that can interfere with all aspects of life, such as work, school, and personal relationships. Based on data from the NIMH, we estimate that approximately 2.24 million adults in the United States suffer from OCD annually. Of these people, we estimate approximately 820,000 patients have sought treatment for OCD and approximately 410,000 are considered treatment-resistant. Assuming our expected revenues for a course of treatment under our existing pricing models, we believe our total annual addressable market opportunity for OCD in the United States is approximately $800 million.

Our first commercial Deep TMS product received clearance from the FDA in 2013 for the treatment of MDD in adult patients who have failed to achieve satisfactory improvement from anti-depressant medication in the current episode. Our pivotal trial for MDD demonstrated statistically significant response and remission rates of 38.4% and 32.6%, respectively, in week five of Deep TMS treatment of 20 minutes per session, compared to 21.4% and 14.6%, respectively, after sham treatment.

Our Deep TMS system for MDD is currently marketed to and installed at psychiatrists' offices and other facilities principally in the United States and in certain other countries throughout the world.

In addition to our FDA clearance of Deep TMS for MDD, we are the first and only medical device company to offer an FDA-authorized non-invasive treatment for OCD, the marketing authorization for which we received in August 2018 as an adjunct therapy for adult patients suffering from OCD. Our pivotal trial for OCD demonstrated statistically significant response and partial response rates of 38.1% and 54.8%, respectively, after six weeks of daily active Deep TMS treatment of 19 minutes per session, compared to 11.1% and 26.7%, respectively, after sham treatment. We believe that our Deep TMS product for OCD presents a significant additional market opportunity, and we have recently commenced sales and marketing efforts of Deep TMS for OCD.

We believe that Deep TMS represents a platform technology that provides for an opportunity to develop additional Deep TMS products for a variety of psychiatric, neurological and addiction disorders. We are currently conducting multicenter clinical trials to support FDA clearance of Deep TMS for smoking cessation and post-traumatic stress disorder (PTSD). We are also planning multicenter trials for other indications, including opioid addiction and multiple sclerosis (MS), the latter of which is the first neurological indication that we plan to advance into a multicenter trial.

Our current customers are principally doctors, hospitals and medical centers in the field of psychiatry. Treatment with Deep TMS is typically performed as an office-based procedure using our Deep TMS system. A course of treatment for MDD typically requires 20 treatment sessions over a period of four weeks, and thereafter up to 24 additional maintenance sessions over a period of up to 12 weeks. The standard Deep TMS treatment protocol for OCD requires 29 treatment sessions over six weeks. A standard MDD or OCD session lasts 20 and 19 minutes, respectively. The treatment requires no anesthesia, hospitalization or sedation and no systemic side effects have been reported.

We estimate that over 90% of the total private insurer covered lives in the United States have coverage for reimbursement of MDD treatment with Deep TMS. In addition, our MDD treatment with Deep TMS is eligible for reimbursement from Medicare. We also believe that there is currently an out-of-pocket market for our Deep TMS systems for OCD. However, we are working to broaden the scope of reimbursement coverage for Deep TMS to include OCD treatment, based on novelty of the technology, unmet clinical need and the efficacy and safety profile of the treatment.

The United States is our primary and most strategic market, representing approximately 90% of our revenues for the year ended December 31, 2017. We operate in the United States through our wholly owned subsidiary, Brainsway USA, Inc., as a direct marketing and sales channel, where we currently have existing sales, marketing and support infrastructure. We are currently ramping up our commercialization efforts of Deep TMS for OCD. We generate revenue from various flexible pricing models that are designed to maximize market penetration. For the year ended December 31, 2017, we generated revenues of approximately $11.1 million, and for the nine months ended September 30, 2018, we generated revenues of $11.6 million, an increase of 54% compared to the nine months ended September 30, 2017.

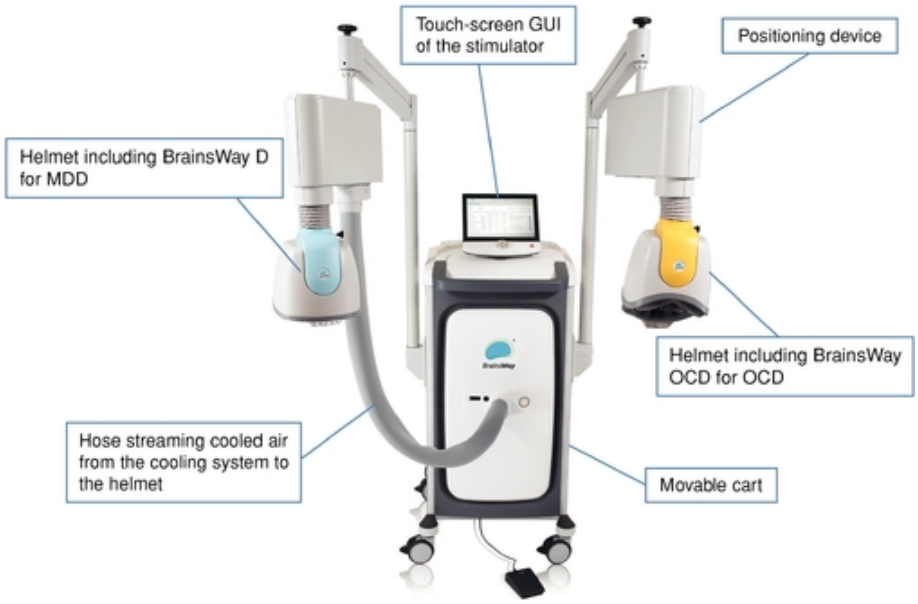
Our Deep TMS Platform

Our proprietary Deep TMS technology is intended for non-invasive treatment of psychiatric, neurological and addiction disorders. The system includes an H-Coil uniquely designed to transmit electric current flows at varying rates, creating an electromagnetic field that serves to depolarize cortical neurons and activate neural networks in certain areas of the brain in accordance with the operating frequency, with the effect of treating the disorder associated with that area of the brain. Our innovative technology is capable of stimulating deeper and broader regions of the brain than any other commercially available TMS product.

We have developed a number of H-Coils for different regions of the brain which are known to be associated with specific brain disorders to influence the neurological networks of those regions. For example, we have one H-Coil (BrainsWay D) that is used in our Deep TMS system for MDD, and we have another H-Coil (BrainsWay OCD) that is used for OCD and is in clinical development for PTSD (and future clinical development is planned for opioid addiction). The H-Coils transmit pulses which are generated by a power supply, known as a stimulator. We recently developed our own proprietary stimulator that is more advanced than our previously used third-party stimulator and improves our approved Deep TMS systems through its user-friendly software interface and other features. We obtained FDA 510(k) clearance for our proprietary stimulator as a modification to the FDA clearance for the MDD indication. In addition, we are currently developing a next generation multichannel stimulator allowing for simultaneous modulation of different areas of the brain with independent stimulation parameters, thus potentially enabling more flexible and effective treatment of various brain disorders, which we believe would make our Deep TMS systems even more attractive to clinicians, researchers and patients and is potentially well-positioned for use in neurology indications.

Our Deep TMS system is comprised of the various key components, as illustrated below:

- Helmet, including proprietary H-Coil
- Stimulator, which provides the power supply and source of the Deep TMS electromagnetic field
- Graphic User Interface (GUI)
- One or More Arm(s)/Positioning Device(s)
- Cooling System
- Movable Medical Cart



We believe our Deep TMS system has many advantages relative to other TMS products currently on the market. Our H-Coil is a flexible device encased in a helmet that fits securely around the patient's head. This, together with the proprietary structure of our H-Coil, means that a much larger surface area of the head is in contact with the H-Coil. Furthermore, if the patient moves his or her head, the helmet—and thus the H-Coil—moves along with it, eliminating the need for features which prevent the patient from moving his or her head during therapy. In contrast, all other currently available TMS products utilize what we refer to as Focal TMS, which generally utilizes a variation of

the figure 8 coil that is placed adjacent to the scalp of the patient and needs to be specifically positioned and attached to the head in order to deliver focal stimulation of the desired area of the brain. Whereas some figure 8 coils are handheld by the operator, some Focal TMS systems attach the coil to an apparatus designed to minimize the ability of the patient to move the head away from the relevant portion of the coil during therapy or actually fasten the coil next to the patient's head. Focal TMS is limited to the narrow area treated, and the manual placing of the figure 8 coil in Focal TMS may cause inaccuracies in the region treated. Studies suggest that the figure 8 coil misses the target in 33% of patients.

We believe that Deep TMS has additional advantages over Focal TMS because it is capable of stimulating deeper and broader areas of the brain. Studies have shown that while Focal TMS devices create an electromagnetic field estimated to penetrate the cortical surface of the brain up to depths in the range of 0.7 to 1.1 centimeters, Deep TMS reaches depths from the cortical surface of approximately 1.8 centimeters for BrainsWay D and approximately 3.5 centimeters for BrainsWay OCD. Studies have also shown that BrainsWay D has the capacity for total stimulated brain volume of 17 cm^3 compared to 3 cm^3 for the figure 8 coil used in Focal TMS. We believe this deeper and broader penetration of Deep TMS provides an advantage over Focal TMS because of its potential to address a wider variety of brain disorders, and for a given disorder, to stimulate more relevant brain structures.

Our Strengths

We are focused on improving the quality of life for patients who suffer from psychiatric, neurological and addiction disorders. We believe that the following strengths will allow us to build our business and potentially expand our market opportunity.

- ***Deep TMS technology has advantages over Focal TMS.*** We believe that Deep TMS, with our proprietary H-Coil design, allows for deeper and broader penetration of regions of the brain compared to Focal TMS, permitting Deep TMS to address a wider variety of psychiatric, neurological and addiction disorders. We believe that this deeper and broader penetration provides us with the opportunity to address more indications with potentially greater clinical efficiency because Deep TMS stimulates a larger portion of the brain and is less sensitive to coil orientation during treatment. In addition, Deep TMS is administered at stimulation levels that we believe are as safe and tolerable as Focal TMS.

- ***We have obtained FDA marketing authorizations of Deep TMS for MDD and OCD.*** We are the only company to have obtained FDA marketing authorizations for TMS products in more than one psychiatric indication: MDD, which was FDA-cleared in 2013, and OCD, which was classified by FDA as a Class II device in a *de novo* classification in August 2018. For MDD, we are one of only two TMS companies that have performed clinical studies supporting the FDA clearance. We are the first and only TMS company, and Deep TMS is the only non-invasive medical device, to obtain FDA marketing authorization for OCD.

- ***Our clinical data supports the efficacy and safety of Deep TMS.*** We believe that our clinical data supports the efficacy and safety of Deep TMS that will accelerate its market acceptance by clinicians. Our pivotal trial for MDD demonstrated statistically significant response and remission rates of 38.4% and 32.6%, respectively, in week five of Deep TMS treatment of 20 minutes per session, compared to 21.4% and 14.6%, respectively, after sham treatment. Our pivotal trial for OCD demonstrated statistically significant response and partial response rates of 38.1% and 54.8%, respectively, after six weeks of daily active Deep TMS treatment of 19 minutes per session, compared to 11.1% and 26.7%, respectively, after sham treatment. Overall, Deep TMS treatment was safe and well-tolerated by patients in these trials.

- ***We have a commercial track record for MDD, and are ramping up commercialization for OCD.*** We have an established commercial footprint in the United States for Deep TMS for MDD,

including our own sales, marketing and support employees at our U.S.-based subsidiary. We estimate that over 90% of the total private insurer covered lives in the United States have coverage for reimbursement of MDD treatment with Deep TMS. In addition, our MDD treatment with Deep TMS is eligible for reimbursement from Medicare. We are also currently selling Deep TMS for MDD in Europe, Mexico, Israel and certain other countries. We are currently ramping up our commercialization efforts for Deep TMS for OCD. We believe that our installed base of Deep TMS systems for MDD will facilitate faster expansion into OCD because clinicians who already have a Deep TMS system only need to lease an add-on arm and helmet to the existing system. We are currently working to obtain insurance reimbursement coverage for OCD in the United States.

- ***Our flexible pricing models are designed to achieve market penetration.*** For Deep TMS for MDD, we offer a fixed-fee lease model enabling unlimited use, including warranty and support, or provide an option to purchase, including a one-year warranty. In addition, we offer a risk share model, a pay-per-use pricing model with a minimum annual fee, for MDD, and for OCD, we offer only our risk share model. We believe these pricing models will increase market acceptance among clinics and psychiatric professionals at reduced up-front costs compared to our sales or fixed-lease models. Based on our commercial data and depending on insurer reimbursement rates, we believe our psychiatrist customers can generate approximately $10,000 of revenues per patient for a course of treatment using our system.

- ***Deep TMS has potential applicability to a range of psychiatric, neurological and addiction disorders.*** Deep TMS has the potential to serve as a platform technology that can address a potentially wide variety of other psychiatric, neurological and addiction disorders by using the appropriate H-Coil structure for the targeted brain region. We are in advanced stages of several pivotal multicenter clinical trials for smoking cessation, PTSD and bipolar disorder, and we are also planning trials for MS and opioid addiction.

Our Strategy

Our goal is to maintain and extend our leadership position in Deep TMS therapy for patients with psychiatric disorders. The key elements of our strategy include:

- Increase the full-scale commercialization of Deep TMS for MDD and accelerate commercialization of Deep TMS for OCD;
- Advance clinical trials for additional indications for Deep TMS;
- Expand reimbursement coverage for Deep TMS for OCD and other approved indications in the future;
- Develop innovative enhancements and features for our Deep TMS systems; and
- Increase our international commercial footprint.

Risks Associated with Our Business

Investing in our ordinary shares involves risks. You should carefully consider the risks described in "Risk Factors" beginning on page 11 before making a decision to invest in our ordinary shares. The following is a summary of some of the principal risks we face:

- we have incurred losses in the past and may be unable to achieve or sustain profitability in the future;
- our success depends on market perception and acceptance of Deep TMS;

- our success depends upon physician and patient satisfaction with the effectiveness and competitive advantages and benefits of Deep TMS;
- we face competition from other TMS companies that are or may be in the future FDA-cleared to market TMS products for the indications we are pursuing;
- if coverage for reimbursement is reduced for MDD or is unavailable for OCD or other future indications, physicians and patients may be less likely to adopt Deep TMS;
- our long-term growth depends on our ability to increase market penetration, commercialize Deep TMS for current indications and develop and commercialize additional indications and expand enhancements and features through our research and development efforts;
- we rely and in the future expect to rely on a network of third-party distributors to market and distribute our products internationally, and if we are unable to maintain and expand this network, we may be unable to generate anticipated sales;
- we rely, and expect to continue to rely, on third parties to conduct our clinical trials, and those third parties may not perform satisfactorily, which could delay our product development activities;
- our products and operations are subject to extensive government regulation and oversight both in the United States and abroad, and our failure to comply with applicable requirements could harm our business;
- we are required to comply with the terms of our license agreements, and any violation or breach of these terms could result in termination of our licenses;
- our ability to obtain and maintain adequate protection of our intellectual property, including intellectual property that is licensed to us; and
- the possibility that we may face third-party claims of intellectual property infringement.

Corporate Information

We are a limited liability company that was incorporated under the laws of the State of Israel in November 2006. We completed our initial public offering on the TASE in January 2007 and our ordinary shares are currently listed on the TASE under the symbol "BRIN". Our principal executive offices are located at 19 Hartum Street, Bynet Building, 3rd Floor, Har HaHotzvim, Jerusalem 91451, Israel, and our telephone number is +972-2-581-3140. Our address on the internet is www.brainsway.com. We do not incorporate the information on, or accessible through, our website into this prospectus, and you should not consider it part of this prospectus, nor should you rely on any such information in making your decision whether to purchase our ordinary shares.

Implications of Being an Emerging Growth Company and a Foreign Private Issuer

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act, or JOBS Act. As such, we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other publicly traded entities that are not emerging growth companies. These exemptions provide that:

- we may present only two years of audited financial statements and only two years of related Management's Discussion and Analysis of Financial Condition and Results of Operations in this prospectus;
- we are not required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002;

- we are not required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board (PCAOB), regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements; and

- we are not required to submit certain executive compensation matters to shareholder advisory votes, such as "say-on-pay," "say-on-frequency" and "say-on-golden parachutes;" and we are not required to disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the chief executive officer's compensation to median employee compensation.

We may take advantage of these provisions until the last day of our fiscal year following the fifth anniversary of the closing of this offering or such earlier time that we no longer qualify as an emerging growth company. As a result, the information we provide to our shareholders may be different than you might receive from other public reporting companies in which you hold equity interests.

Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 13(a) of the Exchange Act, for complying with new or revised accounting standards. Accordingly, as an emerging growth company, we have elected to utilize this exemption and delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

Upon the closing of this offering, we will report under the Exchange Act as a non-U.S. company with foreign private issuer status. For as long as we qualify as a foreign private issuer under the Exchange Act, we will be exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including:

- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;

- the sections of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specific information, or current reports on Form 8-K, upon the occurrence of specified significant events.

Both foreign private issuers and emerging growth companies are also exempt from certain more stringent executive compensation disclosure rules. Thus, even if we no longer qualify as an emerging growth company, but remain a foreign private issuer, we will continue to be exempt from the more stringent compensation disclosures required of companies that are neither an emerging growth company nor a foreign private issuer.

The Offering

Ordinary shares offered by us	ordinary shares (or ordinary shares if the underwriters exercise their option to purchase additional ordinary shares in full).
Ordinary shares to be outstanding after this offering	ordinary shares (or ordinary shares if the underwriters exercise their option to purchase additional ordinary shares in full).
Option to purchase additional ordinary shares	We have granted the underwriters an option to purchase up to additional ordinary shares from us within 30 days of the date of this prospectus.
Use of proceeds	We estimate that we will receive net proceeds from this offering of approximately $ million, or approximately $ million if the underwriters exercise their option to purchase additional ordinary shares in full, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering for working capital and general corporate purposes, including for our sales and marketing, to fund our clinical trials and research and development and to repay the outstanding balance of the borrowings under our credit facility. See "Use of Proceeds" for additional information.
Risk factors	See "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our ordinary shares.
Proposed Nasdaq Global Market symbol	"BWAY"

Unless otherwise stated, the number of ordinary shares to be outstanding after this offering is based on 16,640,446 ordinary shares outstanding as of September 30, 2018, and excludes the following:

- 1,350,059 ordinary shares issuable upon the exercise of options outstanding as of September 30, 2018, at a weighted average exercise price of $7.32 per ordinary share;
- 1,008,000 ordinary shares issuable upon the exercise of options issued under our Share Incentive Plan after September 30, 2018, at a weighted average exercise price of $6.46 per ordinary share;
- an additional 1,286,308 ordinary shares reserved for future issuance pursuant to the exercise of options under our Share Incentive Plan; and
- 59,761 ordinary shares issuable upon the exercise of a warrant to purchase our ordinary shares, with an exercise price of $5.02 per share, held by Mizrahi Tefahot Bank Ltd., which we refer to as Mizrahi Tefahot Bank.

Unless otherwise indicated, all information in this prospectus assumes or gives effect to:

- an assumed initial public offering price of $ per ordinary share, which is the midpoint of the price range set forth on the cover page of this prospectus; and
- no exercise by the underwriters of their option to purchase up to additional ordinary shares from us.

SUMMARY FINANCIAL DATA

The following tables present our summary statement of operations for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, and our summary balance sheet data as of September 30, 2018. Our summary statement of operations for the years ended December 31, 2016 and 2017 and our summary balance sheet as of December 31, 2016 and 2017 has been derived from our audited financial statements included elsewhere in this prospectus. The statement of operations data for the nine months ended September 30, 2017 and 2018 and the summary balance sheet data as of September 30, 2018 have been derived from our unaudited financial statements included elsewhere in this prospectus and have been prepared on the same basis as the audited financial statements. In the opinion of management, the unaudited data reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the financial information in those statements. Our historical results are not necessarily indicative of the results that should be expected in the future, and results for the nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for the full year ending December 31, 2018 or any other future period. We prepare our financial statements in accordance with the International Financial Reporting Standard (IFRS), as issued by the International Accounting Standards Board (IASB). You should read this summary financial data together with "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included elsewhere in this prospectus.

(In thousands, other than share and per share data)	Year Ended December 31,		Nine Months Ended September 30,	
	2016	2017	2017	2018
			(Unaudited)	(Unaudited)
Statement of Operations Data:				
Revenues	$ 11,524	$ 11,145	$ 7,453	$ 11,625
Cost of revenues	2,427	2,595	1,684	2,484
Gross profit	9,097	8,550	5,859	9,141
Research and development expenses, net	3,792	5,343	3,836	4,334
Selling and marketing expenses	5,180	6,331	4,571	5,816
General and administrative expenses	2,194	3,487	1,988	2,353
Total operating expenses	11,166	15,161	10,395	12,503
Total operating loss	2,069	6,611	4,536	3,362
Financial expenses (income), net	328	274	(311)	834
Loss before income taxes	2,397	6,885	4,225	4,196
Income taxes	—	169	42	134
Net loss and total comprehensive loss	2,397	7,054	4,267	4,330
Basic and diluted net loss per share(1)	(0.17)	(0.48)	(0.29)	(0.25)
Weighted average number of ordinary shares outstanding—basic and diluted	14,507	14,768	14,716	16,640

(1) Basic loss per ordinary share and diluted loss per ordinary share are the same because outstanding options would be anti-dilutive due to our net losses in these periods.

(In thousands)	As of September 30, 2018 Actual	As Adjusted(2)(3)
Balance Sheet Data:		
Cash, cash equivalents and short-term deposits	$ 10,620	$
Total assets	23,260	
Total liabilities	14,408	
Accumulated deficit	(59,432)	
Total equity	8,852	

(2) These adjusted balance sheet data give further effect to the issuance and sale of ordinary shares by us in this offering at an assumed initial public offering price of $ per ordinary share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

(3) Excludes (i) 1,350,059 ordinary shares issuable upon the exercise of options outstanding as of September 30, 2018, at a weighted average exercise price of $7.32 per ordinary share; (ii) 1,008,000 ordinary shares issuable upon the exercise of options issued under our Share Incentive Plan after September 30, 2018, at a weighted average exercise price of $6.46 per ordinary share; (iii) an additional 1,286,308 ordinary shares reserved for future issuance pursuant to the exercise of options under our Share Incentive Plan; and (iv) an additional 59,761 ordinary shares for future issuance pursuant to the exercise of a warrant to purchase our ordinary shares, with an exercise price of $5.02 per share, held by Mizrahi Tefahot Bank.

RISK FACTORS

Investing in our ordinary shares involves a high degree of risk. You should carefully consider the risks described below and all other information contained in this prospectus before you decide to buy our ordinary shares. If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected. In that event, the trading price of our ordinary shares would likely decline and you might lose all or part of your investment. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition, cash flows and results of operations.

Risks Related to our Financial Condition and Capital Requirements

We have a history of operating losses. We expect to incur additional losses in the future and may never be profitable.

We have incurred net losses since our inception, largely reflecting research and development, general and administrative expenses and sales and marketing expenses. We have experienced net losses of $2.4 million and $7.1 million for the years ended December 31, 2016 and 2017, respectively, and $4.3 million for the nine months ended September 30, 2018. As a result of ongoing losses, as of September 30, 2018, we had an accumulated deficit of $59.4 million. While we have sold and leased Deep TMS systems in various markets over the last few years, primarily for MDD, we expect to continue to incur significant sales and marketing, product development, regulatory and other expenses as we continue to expand our commercialization efforts to increase adoption of Deep TMS and expand existing relationships with our customers, to obtain regulatory clearances or approvals for Deep TMS in additional countries and for additional indications, and to develop new enhancements or features to our existing Deep TMS systems. Furthermore, our general and administrative expenses will increase following this offering due to the increased costs associated with being a public company in the United States. The net losses we incur may fluctuate significantly from period to period. We will need to generate additional revenues to achieve and sustain profitability and even if we achieve profitability, we cannot be sure that we will remain profitable for any substantial period of time. Our failure to achieve or maintain profitability could negatively impact the value of our ordinary shares.

We cannot ensure that our existing capital and the net proceeds of this offering will be sufficient to meet our capital requirements.

We believe that our existing capital, other sources of liquidity and the net proceeds from this offering will be sufficient to meet our capital requirements. To date we have funded our operations primary through offerings of our securities, research and development grants from the Israel Innovation Authority and other sources, and a loan under our credit facility. We expect to generate revenues primarily through sales and lease income generated by the commercial distribution of Deep TMS systems for approved indications.

The adequacy of our available funds to meet our operating and capital requirements will depend on many factors, including our ability to achieve revenue growth and maintain favorable operating margins; our ability to increase the market share of Deep TMS and expand our operations and offerings, including our sales and marketing efforts; the cost, progress and results of our future research, product development and clinical programs for additional enhancements to Deep TMS and future indications for the system; the costs and timing of obtaining regulatory approvals for future indications of Deep TMS; our ability to improve or maintain coverage and reimbursement arrangements with third-party and government payers; the terms and conditions of commercial agreements for marketing and distribution of Deep TMS; the effect of competing technological and market developments; and costs incurred in enforcing and defending certain of the patents and other

intellectual property rights upon which our technologies are based, to the extent such rights are challenged.

We cannot be certain that in the future alternative financing sources will be available to us at such times or in the amounts we need or whether we can negotiate commercially reasonable terms or at all, or that our actual cash requirements will not be greater than anticipated. Any issuance of additional equity or equity-linked securities could be dilutive to our existing shareholders, and any new equity securities could have rights, preferences and privileges superior to those of holders of our ordinary shares. Additional debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt, pay dividends, repurchase our shares, make investments and engage in merger, consolidation or asset sale transactions. If we are unable to obtain future financing through the methods we described above or through other means, our business may be materially impaired and we may be unable to complete our business objectives and may be required to cease operations, curtail one or more product development or commercialization programs, significantly reduce expenses, sell assets, seek a merger or joint venture partner, file for protection from creditors or liquidate all our assets.

Risks Related to our Business and Industry

Our success depends on Deep TMS as a treatment option for patients, as well as market perception and acceptance of TMS generally.

Our business depends entirely on the success of Deep TMS, our proprietary TMS solution. TMS is an emerging treatment option for patients. As a result, physician and patient awareness of TMS therapy as a treatment option for applicable brain disorders, and experience with TMS therapies, is limited. Because the market for TMS therapy is still developing and contains a limited number of market participants, sales of Deep TMS could be negatively impacted by unfavorable market reactions to TMS generally or to Deep TMS in particular. For example, in June 2018 researchers in medical centers of the U.S. Veterans Affairs reported research findings that showed that approximately 40% of the 81 patients with treatment-resistant major depression achieved remission in a randomized trial of a competitor's TMS device, but the rate was virtually the same with sham treatments versus active stimulation. If the use of our Deep TMS system or other TMS therapies results in serious adverse events (e.g., seizures), or such products malfunction or are misused, patients and physicians may attribute such negative events to all TMS solutions generally, which may adversely affect market adoption of Deep TMS. In addition, if patients undergoing treatment with any available TMS solutions perceive the benefits to be inadequate or the administration of TMS to be too burdensome or inconvenient, and/or if adverse events with available TMS solutions are too numerous or severe compared to the relevant rates of alternative therapies or pharmaceutical options, it will be difficult to demonstrate the value of Deep TMS to patients and physicians. Additionally, psychiatrists may find it difficult to train existing employees and/or hire additional staff, allocate sufficient space or operate our device given that psychiatry is a field not traditionally associated with medical equipment treatment options. As a result of any one or a combination of these reasons, demand for and the use of Deep TMS may decline or may not increase at the pace or to the levels we expect. These reported findings may have a negative effect on market perception of the effectiveness of the TMS therapy in general, and by extension Deep TMS.

Even if TMS therapy is widely accepted by physicians and patients, our success will depend in large part on our ability to educate and train physicians and patients, and to successfully demonstrate the safety, tolerability, ease of use, efficacy, cost effectiveness and other advantages of Deep TMS. We have been engaging in an active marketing campaign to raise awareness of Deep TMS and its benefits, but we cannot assure that these efforts will be successful or that they will not prove to be too costly. Physicians may find patient set up and the subsequent procedures for future treatment sessions to be

difficult or complicated compared to competing treatment methods. Any of these factors could slow market adoption of Deep TMS.

Our long-term growth depends on our ability to increase market penetration and further commercialize Deep TMS, as well as develop enhancements and features to the Deep TMS system through our research and development efforts. If we fail to do so, we may be unable to achieve future growth.

Our strategy depends on our ability to further commercialize and increase market penetration of Deep TMS for MDD and OCD, develop and seek regulatory approvals of Deep TMS for new indications and add new enhancements or features for the Deep TMS system. These goals are also designed to respond to changing customer demands and competitive pressures and technologies. Our industry is characterized by intense competition, including from existing treatments (e.g., anti-depressant medications), a growing number of focal TMS competitors, rapid technological changes, new product introductions and enhancements, price competition and evolving industry standards. It is important that we anticipate changes in technology and market demand, as well as physician practices to successfully develop, obtain clearance or approval, if required, and successfully introduce new, enhanced and competitive technologies to meet our prospective customers' needs on a timely and cost-effective basis.

We might be unable to further commercialize Deep TMS for approved indications or develop or obtain regulatory clearances or approvals to market Deep TMS for new indications, or to develop and obtain regulatory approvals for enhancements or new features for the Deep TMS system. Additionally, Deep TMS for MDD, OCD and any future indications, even if cleared, might not be accepted by physicians or the third-party payers who reimburse for the procedures performed with our products. Our risk share pricing model to capture increased market share may also not be successful, and we may be unable to devise new pricing strategies that are attractive to customers. The success of any new indications, enhancements or features for the Deep TMS system will depend on numerous additional factors, including our ability to:

- properly identify and anticipate clinician and patient needs;
- demonstrate the benefits associated with the use of Deep TMS when compared to the products and devices of our competitors;
- demonstrate the safety and efficacy of new indications, and obtain regulatory approvals of Deep TMS for such indications;
- adequately protect our intellectual property and avoid infringing upon the intellectual property rights of third parties; and
- develop and obtain the necessary regulatory clearances or approvals for enhancements or features for the Deep TMS system.

If we do not develop and obtain regulatory clearances or approvals for new indications, enhancements or features in time to meet market demand, or if there is insufficient demand for these indications, enhancements or features, our results of operations will suffer. Our research and development efforts may require a substantial investment of time and resources before we are adequately able to determine the commercial viability of a new indication for Deep TMS, any enhancements to the Deep TMS system or any other innovation. In addition, even if we are able to develop enhancements or new features for Deep TMS, these enhancements or features may not produce sales in excess of the costs of development and they may be quickly rendered obsolete by changing customer preferences or the introduction by our competitors of products embodying new technologies or enhancements or features.

Furthermore, we must carefully manage our introduction of new indications. If potential customers believe such indications will offer enhanced enhancements or features or would be available at a more attractive price, they may delay purchases until such indications are available. We may also have excess or obsolete inventory as we transition to indications, and we have limited experience in managing product transitions.

Our success also depends upon patient satisfaction with the effectiveness of Deep TMS.

In order to generate significant revenues from Deep TMS, patients must be satisfied with the effectiveness of Deep TMS. We train our physician customers to properly diagnose patient candidates and select the appropriate patient candidates for treatment using the Deep TMS system, explain to their patients the time-period over which the results from a treatment course can be expected to occur, and measure the success of treatments using medical guidelines. However, our physician customers may not properly diagnose or select appropriate patient candidates for Deep TMS treatment, which may produce results that do not meet patients' expectations. To the extent physicians do not make the proper measurements for a specific patient or use the same procedures at each treatment session, it could result in variability of the treatment efficacy and results for the patient. If patients are not satisfied with the results of Deep TMS, our reputation and future results of operations may be adversely affected.

We operate in a very competitive environment and if we are unable to compete successfully against our existing or potential competitors, our revenues and operating results may be negatively affected.

Our currently marketed Deep TMS systems for MDD, OCD and any future indications are or will be subject to intense competition. The industry in which we operate is subject to rapid change and is highly sensitive to the introduction of new products or other market activities of current or new industry participants. Our ability to compete successfully will depend on our ability to develop and obtain regulatory clearances of Deep TMS for indications that reach the market in a timely manner, to receive adequate coverage and reimbursement from third-party payers, and to successfully demonstrate to physicians and patients the merits of Deep TMS compared to the products of our competitors. If we are not successful in convincing others of the merits of Deep TMS or educating them on the use of the Deep TMS system, they may not use our system or use them effectively and we may be unable to increase our revenues.

Deep TMS competes with several existing focal TMS competitors, including Neuronetics, Magventure, MAG & More, CloudTMS and Nexstim. Competing TMS therapy companies have developed or may develop treatments that can be administered for shorter time periods or may develop treatments that have improved efficacy when compared to our products or that require a less significant investment of resources from physicians. For instance, one of our focal TMS competitors has received FDA clearance for a TMS treatment protocol that can be administered within a shorter time period than Deep TMS. In addition, psychiatrists and other customers may not be able to easily compare Deep TMS to our focal TMS competitors given the absence of head-to-head studies.

We also face competition from pharmaceutical and other companies, many of which have greater resources than we do, that develop competitive products, such as anti-depressant medications and to a lesser degree, ECT and other neuromodulation treatment options. Our commercial opportunity could be reduced or eliminated if these competitors develop and commercialize anti-depressant medications or other treatments that are safer or more effective than Deep TMS, or are offered at more competitive prices, are more easily administered to patients or are otherwise more attractive to our customers and patients. At any time, these and other potential market entrants may develop treatment alternatives that may make Deep TMS less competitive.

We also note that competition varies based on the indication, and some of the indications we are advancing may face marketability challenges based on existing treatment options. For example, there are a variety of smoking cessation products currently available on the market, including nicotine patch treatment. Electronic cigarettes, or e-cigarettes, are also widely available substitutes for tobacco smoking. Deep TMS for smoking cessation, if FDA-cleared, may not be a marketable alternative to these existing options.

In addition, our competitors may have more established distribution networks than we do, or may be acquired by enterprises that have more established distribution networks than we do. Our competitors may also develop and patent processes or products earlier than we can or obtain domestic or international regulatory clearances or approvals for competing products more rapidly than we can, which could impair our ability to develop and commercialize similar products. In addition, we compete with our competitors to engage the services of independent distributors outside the United States, both those presently working with us and those with whom we hope to work as we expand.

Furthermore, our competitors may be seeking predicate FDA approvals in other psychiatric and neurological indications, and TMS products of various companies are frequently used off-label, and in certain circumstances, are marketed outside of the United States for other indications.

If we are unable to adequately train physicians and other treatment providers and operators on the safe and appropriate use of our Deep TMS systems, we may be unable to achieve our expected growth.

There is a learning process involved for treatment providers to become proficient in the use of our Deep TMS systems, which requires us to spend considerable time and resources for training. It is critical to the success of our commercialization efforts to train a sufficient number of physicians and to provide them with adequate, ongoing instruction and training in the use of our Deep TMS systems. This training process generally requires physicians to review and study product materials and engage in hands-on training sessions. This training process may also take longer than expected or be more complicated than the physicians or their personnel are comfortable with and may therefore affect our ability to increase sales. Convincing physicians to dedicate the time and energy necessary for adequate training is challenging, and we may not be successful in these efforts.

The use of our Deep TMS system to treat OCD requires a special procedure to provoke the patient to exhibit symptoms of OCD while the patient is treated with Deep TMS. This procedure requires special training and may make the treatment more difficult to apply than alternative treatments, as the treatment must be tailored for the condition of each patient. As a result, this may lead to a variability of the overall results and between patients, which could discourage use of Deep TMS for OCD. In addition, if the physicians and operators do not apply the treatment of OCD patients properly or experience difficulties in the use of the system for OCD, this could reduce the level of satisfaction with this system for OCD and adversely affect our revenues and our operating results.

We may be unable to forecast our future growth accurately.

We may be unable to predict future growth related to Deep TMS for MDD, OCD and other psychiatric indications because these disorders are inherently difficult to diagnose and there are frequent co-morbidities (overlap) in these disorders that complicate treatment methods. Diagnosis for psychiatric disorders, such as MDD and OCD, is based on an individual's reported experiences and mental status examination, and accordingly is subject to significant error. For example, it is estimated that about half of the individuals in the United States who experience a major depressive episode annually are not diagnosed correctly. In addition, there is a rising trend in which primary care providers, rather than mental health professionals, prescribe anti-depressant medications. Primary care providers often prescribe anti-depressants without a psychiatric diagnosis of disease. In 73% of visits in

which a primary care provider prescribed an anti-depressant, patients did not have a psychiatric diagnosis. Without a psychiatric diagnosis, treatment cannot be tailored to the underlying condition. In one study in a managed care environment, 89% of patients did not receive an adequate medication dosage or duration of treatment from their clinicians. Accordingly, a significant portion of MDD patients that are considered treatment-resistant may be unresponsive to first-line treatment as a result of incorrect diagnosis, and any such patients may not respond to Deep TMS treatment. In addition, the H-Coils for our Deep TMS systems may prove to be interchangeable and clinicians may be able to treat patients with multiple disorders in the same procedure. As a result of the foregoing factors, the addressable market for Deep TMS for MDD and OCD may be smaller than we currently anticipate, and predictions for our future growth may prove to be inaccurate. This may have a materially adverse effect on our future results of operations.

We may be unable to manage our anticipated growth effectively, which could make it difficult to execute our business strategy.

We have been growing rapidly and have a relatively short history of operating as a commercial-stage company. We intend to continue to grow our business operations and may experience periods of rapid growth and expansion. This anticipated growth could create a strain on our organizational, administrative and operational infrastructure, including our supply chain operations, quality control, technical support and customer service, sales force management and general and financial administration. These risks increase as we expand into new countries. We may be unable to maintain the quality, or delivery timelines, of our products or customer service or satisfy customer demand if our business grows too rapidly. Our ability to manage our growth properly will require us to continue to improve our operational, financial and management controls, and our reporting systems and procedures. We may implement new enterprise software systems in a number of areas affecting a broad range of business processes and functional areas. The time and resources required to implement these new systems is uncertain and failure to complete this in a timely and efficient manner could harm our business.

As our commercial operations and sales volume grow, we will need to continue to increase our workflow capacity for our supply chain, customer service, training and education personnel, billing, accounting reporting and general process improvements and expand our internal quality assurance program, among other things. Our current work force may not be sufficient to handle our expanding growth and we will be required to expand and train these personnel as we increase our sales efforts. We may not successfully implement these increases in scale or the expansion of our personnel, which could harm our business.

If we are unable to successfully expand our sales and customer support team and adequately address our customers' needs, it could negatively impact revenues and market acceptance of Deep TMS and we may never generate sufficient revenues to achieve or sustain profitability.

As of September 30, 2018, we had 88 employees, including 21 employees in sales and marketing. Our operating results are directly dependent upon the sales and marketing efforts of our sales and customer support team and, to a lesser extent, on our independent third party distributors outside of the United States. If our employees or our independent distributors fail to adequately promote, market and sell or lease our Deep TMS systems, our revenues could significantly decrease and/or fail to meet our targets.

In addition, our future revenues will largely depend on our ability to successfully execute our marketing efforts and adequately address our customers' needs. We believe it is necessary to expand our sales force, including by hiring additional sales representatives or distributors with specific technical backgrounds that can support our customers' needs.

As we develop and seek regulatory clearances for new indications, enhancements and features and increase our marketing efforts, we will need to expand the reach of our marketing and sales networks. Our future success will depend largely on our ability to continue to hire, train, retain and motivate skilled employees, and distributors with significant technical knowledge in various areas. New hires require training and take time to achieve full productivity. If we fail to train new hires adequately, or if we experience high turnover in our sales force in the future, new hires may not become as productive as may be necessary to maintain or increase our sales. If we are unable to expand our sales and marketing capabilities domestically and internationally, we may be unable to effectively commercialize our Deep TMS systems, which could harm our business.

If coverage for reimbursement is reduced for MDD or is unavailable for OCD or other future indications, physicians may be reluctant to use Deep TMS.

In the United States, sales of Deep TMS will depend, in part, on the extent to which the treatment sessions using Deep TMS are covered and reimbursed by third-party payers, including private insurers and government healthcare programs. Even if a third-party payer covers a particular treatment that uses Deep TMS, the resulting reimbursement rate may not be adequate to cover a provider's cost to purchase or lease the Deep TMS system or ensure such transaction is profitable for the provider. Medicare coverage for Deep TMS as a treatment for MDD generally requires four failures of anti-depressant medications and private insurance coverage for Deep TMS generally requires three to four failures of anti-depressant medications. Reimbursement of Deep TMS as a treatment for MDD is also generally limited to 36 treatment sessions. Currently, there is no third party coverage of Deep TMS as a treatment for OCD. Further, patients who are treated in-office for a medical condition generally rely on third-party payers to reimburse all or part of the costs associated with the treatment and may be unwilling to undergo such treatment in the absence of coverage and adequate reimbursement, or due to large annual deductibles associated with certain health insurance plans.

Reimbursement by a third-party payer may depend upon a number of factors, including the third-party payer's determination that a treatment is neither experimental nor investigational, safe, effective, and medically necessary, appropriate for the specific patient, cost-effective, supported by peer-reviewed medical journals and included in clinical practice guidelines.

In the United States, there is no uniform policy of coverage and reimbursement among third-party payers. Third-party payers often rely upon Medicare coverage policies and payment limitations in setting their own reimbursement policies, but also have their own methods and approval process apart from Medicare coverage and reimbursement determinations. Therefore, coverage and reimbursement for treatments can differ significantly from payer to payer. Decisions regarding the extent of coverage and amount of reimbursement to be provided for an in-office treatment is made on a plan-by-plan basis. One payer's determination to provide coverage for a specific treatment does not assure that other payers will also provide coverage and adequate reimbursement.

In addition, the U.S. federal government and state legislatures have continued to implement cost containment programs, including price controls and restrictions on coverage and reimbursement. To contain costs, governmental healthcare programs and third-party payers are increasingly challenging the price, scrutinizing the medical necessity and reviewing the cost-effectiveness of medical treatments.

Outside of the United States, reimbursement systems vary significantly by country. Many foreign markets, including Japan, have government-managed healthcare systems that govern reimbursement for psychiatric treatments and procedures. Additionally, some foreign reimbursement systems provide for limited payments in a given period and therefore result in extended payment periods. If adequate levels of reimbursement from third-party payers outside of the United States are not obtained, international sales and lease transactions for the Deep TMS system may not materialize or grow significantly.

The marketability of Deep TMS may suffer if the government and third-party payers fail to provide adequate coverage and reimbursement. Even if favorable coverage and reimbursement status is attained, less favorable coverage policies and reimbursement rates may be implemented in the future.

We rely on third-party suppliers for some components used in manufacturing Deep TMS, and we may be unable to immediately transition to alternative parties for these components.

We rely on suppliers for most of the components used in manufacturing Deep TMS, including the computer controlling the stimulator, the helmet and the arm of the helmet, and we may not have sufficient contractual assurances for the long-term supply of these components. We recently completed the development of our proprietary stimulator for our Deep TMS system, and expect to start assembling it into our systems during the fourth quarter of 2018. However, we remain dependent on a single source third-party supplier for stimulators used in older versions of our Deep TMS system. For us to be successful, our suppliers and contract manufacturer must be able to provide us with components in sufficient quantities, in compliance with regulatory requirements, in accordance with agreed upon specifications, at acceptable costs and on a timely basis. While these suppliers have generally met our demand requirements on a timely basis in the past, their ability and willingness to continue to do so going forward may be limited for several reasons, including our lack of long-term agreements with those suppliers, our relative importance as a customer of those suppliers, or, as applicable, their ability to produce the components for or provide assembly services to manufacture our Deep TMS systems. An interruption in our commercial operations could occur if we encounter delays or difficulties in securing these components, if we cannot obtain an acceptable substitute.

Any transition to a new supplier or contract manufacturer could be time-consuming and expensive, may result in interruptions in our operations and product delivery, could affect the performance specifications of Deep TMS or could require that we modify its design. If we are required to change our contract manufacturer, we will be required to verify that the new manufacturer maintains facilities, procedures and operations that comply with our quality and applicable regulatory requirements, which could further impede our ability to manufacture Deep TMS systems in a timely manner. If the change in manufacturer results in a significant change to any product, a new 510(k) clearance from the FDA or similar non-U.S. regulatory authorization may be necessary before we implement the change, which could cause a substantial delay. We cannot assure you that we will be able to identify and engage alternative suppliers or contract manufacturers on similar terms or without delay. Furthermore, our contract manufacturer could require us to move to a different production facility. The occurrence of any of these events could harm our ability to meet the demand for Deep TMS in a timely and cost-effective manner.

We face risks associated with our international business.

We currently market and sell Deep TMS systems outside of the United States in various countries such as Mexico and Israel. Additionally, we intend to market and expand the commercialization of Deep TMS in other markets, including Japan and various Asian countries.

We are assessing the opportunity to expand into other international markets. However, our expansion plans may not be realized, or if realized, may not be successful. We expect each market to have particular regulatory hurdles to overcome, and future developments in these markets, including the uncertainty relating to governmental policies and regulations, could harm our business.

The sale, lease and shipment of the Deep TMS system across international borders, as well as the purchase of components and products from international sources, subjects us to extensive U.S. and other foreign governmental trade, import and export and customs regulations and laws. Compliance with these regulations and laws is costly and exposes us to penalties for non-compliance. We expect our international activities will be dynamic over the foreseeable future as we continue to pursue

opportunities in international markets. Our international business operations are subject to a variety of risks, including:

- difficulties in staffing and managing foreign and geographically dispersed operations, to the extent we establish non-U.S. operations;
- differing and multiple payer reimbursement regimes, government payers or patient self-pay systems;
- difficulties in determining and creating the proper sales pathway in new, international markets;
- compliance with various U.S. and international laws, including export control laws and the U.S. Foreign Corrupt Practices Act of 1977 (FCPA), and anti-money laundering laws;
- differing regulatory requirements for obtaining marketing authorizations for our products in non-U.S. jurisdictions;
- changes in, or uncertainties relating to, foreign rules and regulations that may impact our ability to sell our products, perform services or repatriate profits to the United States;
- tariffs and trade barriers, export regulations, sanctions and other regulatory and contractual limitations on our ability to sell our products in certain foreign markets;
- potential adverse tax consequences, including imposition of limitations on or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries or joint ventures;
- imposition of differing labor laws and standards;
- armed conflicts or economic, political or social instability in foreign countries and regions;
- fluctuations in foreign currency exchange rates;
- an inability, or reduced ability, to protect our intellectual property, including any effect of compulsory licensing imposed by government action; and
- availability of government subsidies or other incentives that benefit competitors in their local markets that are not available to us.

We rely and in the future expect to rely on a network of third-party distributors to market and distribute our products internationally, and if we are unable to maintain and expand this network, we may be unable to generate anticipated revenues.

We rely, and expect to rely in the future, on a network of third-party distributors to market and distribute our products in international markets. We are assessing the opportunity to continue expanding into other international markets. We may face significant challenges and risks in managing a geographically dispersed distribution network. We have limited ability to control any third-party distributors and agents. Our distributors and agents may be unable to successfully market, lease and sell our products and may not devote sufficient time and resources to support the marketing, sales, education and training efforts that we believe enable the products to develop, achieve or sustain market acceptance. Additionally, in some international jurisdictions, we rely on our distributors to manage the regulatory process, while complying with all applicable rules and regulations, and we are dependent on their ability to do so effectively. We anticipate that we will receive regulatory approval in Japan through our distributor, but we can provide no assurance that we will receive it in a timely manner, or at all. In addition, if a dispute arises with a distributor or if a distributor is terminated by us or goes out of business, it may take time to locate an alternative distributor, to seek appropriate regulatory approvals with the new distributor and to train new personnel to market our products, and our ability to sell those systems in the region formerly serviced by such terminated distributor could be harmed. Any of

these factors could reduce our revenues from affected markets, increase our costs in those markets or damage our reputation. In addition, if an independent distributor or agent were to depart and be retained by one of our competitors, we may be unable to prevent that distributor or agent from helping competitors solicit business from our existing customers, which could further adversely affect our sales. As a result of our reliance on third-party distributors and agents, we may be subject to disruptions and increased costs due to factors beyond our control, including labor strikes, third-party error and other issues. If the services of any of these third-party distributors and agents become unsatisfactory, we may experience delays in meeting our customers' demands and we may be unable to find a suitable replacement on a timely basis or on commercially reasonable terms. Any failure to deliver products in a timely manner may damage our reputation and could cause us to lose potential customers.

Clinical trials involve a lengthy and expensive process with an uncertain outcome, which may delay or cause us to abandon the development of Deep TMS for additional indications.

We are currently undertaking clinical trials of Deep TMS for new indications, including smoking cessation, PTSD and bipolar disorder. Development of medical devices includes pre-clinical studies and sometimes clinical trials, and is a long, expensive and uncertain process, subject to delays and failure at any stage. Clinical trials for Deep TMS involve certain specific risks, including factors related to trial design and patient enrollment. For example, it is challenging to design a convincing form of "sham" TMS that matches the discomfort and noise of TMS, to test for placebo effects. Additionally, if we are unable to recruit a sufficient number of patients for our clinical trials, we may be unable to generate sufficient data to support marketing authorization. Moreover, our research and development, pre-clinical and clinical trial activities are subject to extensive regulation and review by numerous governmental authorities. We cannot predict whether we will encounter problems with any of our completed, ongoing or planned clinical trials, which would cause us or regulatory authorities to delay or suspend clinical trials, or delay the analysis of data from completed or ongoing clinical trials. We estimate that clinical trials involving various indications of Deep TMS will continue for several years; however, such trials may also take significantly longer to complete and may cost more money than we have expected. Furthermore, the data obtained from the studies and trials may be inadequate to support regulatory authorizations or to enable market acceptance of certain indications of Deep TMS. Failure can occur at any stage of testing, and we may experience numerous unforeseen events during, or as a result of, the clinical trial process that could delay or prevent commercialization of the current, or a future, version of, Deep TMS, for any particular indication, including but not limited to:

- delays in securing clinical investigators or trial sites for the clinical trials;
- delays in obtaining institutional review board and other regulatory approvals to commence a clinical trial;
- slower than anticipated patient recruitment and enrollment;
- negative or inconclusive results from clinical trials;
- unforeseen safety issues;
- an inability to monitor patients adequately during or after treatment;
- placement of a clinical trial on hold by the FDA, institutional review boards/ethics committees or other regulatory authorities;
- changes in governmental regulations or administrative actions, including governmental changes in permissible endpoints or other measures utilized in clinical trials; and
- problems with investigator or patient compliance with the trial protocols.

Additionally, the FDA or other regulatory entities may disagree with our interpretation of the data from our pre-clinical studies and clinical trials, or may find the clinical trial design, conduct or results inadequate to demonstrate safety or efficacy, and may require us to pursue additional pre-clinical studies or clinical trials, which could further delay authorization of additional indications for Deep TMS. A number of companies in the medical device and biotechnology industries, including those with greater resources and experience than us, have suffered significant setbacks in advanced clinical trials, even after seeing promising results in earlier clinical trials. We do not know whether any clinical trials we or our clinical partners may conduct will demonstrate adequate efficacy and safety to result in regulatory authorization to market new indications for Deep TMS. In addition, the results of our past clinical trials of Deep TMS may not be predictive of future trial results. If later-stage clinical trials involving Deep TMS for new indications do not produce favorable results, our ability to obtain regulatory authorization for such indications may be adversely impacted, which will have a material adverse effect on our business, financial condition and results of operations.

We rely in part on third parties to conduct our clinical trials. If these third parties fail to perform their duties on time or as expected, we may not be able to obtain regulatory authorization for additional indications that we may seek for Deep TMS.

Our clinical trials are managed by our both own staff and personnel as well as certain third-parties, including clinical trial sites, medical institutions, clinical research organizations, or CROs, and private practices, for, among other things, site monitoring, statistical work and electronic data capture in our clinical trials. Nevertheless, we are responsible for ensuring that each of our clinical trials is conducted in accordance with applicable protocols, and legal, regulatory and scientific standards, including current good clinical practices, or cGCPs, which are regulations and guidelines enforced by the FDA and comparable foreign regulatory authorities for clinical trials. If we or any such third parties fail to comply with applicable cGCPs, the clinical data generated in such trials may be deemed unreliable and the FDA or comparable foreign regulatory authorities may require us to perform additional clinical trials before granting a marketing authorization for any particular indication. In addition, if such third parties do not devote sufficient time and resources to our clinical trials or otherwise carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they assist in obtaining is compromised due to the failure to adhere to our clinical protocols, regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated, and we may not be able to obtain regulatory authorization for or successfully commercialize Deep TMS for a specified indication.

Our collaboration arrangements may not be successful, which could adversely affect our ability to develop and commercialize our products.

We are currently involved in a number of research and development collaborations with third parties relating to the development of new technology and additional uses of Deep TMS. These and any future collaborations that we enter into may not be successful. The success of our collaboration arrangements will depend heavily on the efforts and activities of our collaborators. Collaborations are subject to numerous risks, which may include that:

- collaborators have significant discretion in determining the efforts and resources that they will apply to collaborations;
- collaborators may not pursue development and commercialization of our products or may elect not to continue or renew development or commercialization programs based on trial or test results or may change their strategic focus due to the acquisition of competitive products, availability of funding or other external factors, such as a business combination that diverts resources or creates competing priorities;

- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our products or product candidates;
- a collaborator with marketing, manufacturing and distribution rights to one or more products may not commit sufficient resources to or otherwise not perform satisfactorily in carrying out these activities;
- we could grant exclusive rights to our collaborators that would prevent us from collaborating with others;
- collaborators may not properly maintain or defend our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability;
- disputes may arise between us and a collaborator that causes the delay or termination of the research, development or commercialization of our current or future products or that results in costly litigation or arbitration that diverts management attention and resources;
- our collaborators may default on their obligations to us and we may be forced to terminate, litigate or renegotiate such arrangements;
- our collaborators may have claims that we breached our obligations to them which may result in termination, renegotiation, litigation or delays in performance of such arrangements;
- collaborations may be terminated, and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable current or future products;
- collaborators may own or co-own intellectual property covering our products that results from our collaborating with them, and in such cases, we would not have the exclusive right to develop or commercialize such intellectual property; and
- a collaborator's sales and marketing activities or other operations may not be in compliance with applicable laws resulting in civil or criminal proceedings.

If any of our collaboration arrangements are not successful, it could have a material adverse effect on our business, financial condition and results of operations.

If product liability lawsuits are brought against us, our business may be harmed, and we may be required to pay damages that exceed our insurance coverage.

Our business exposes us to potential product liability claims that are inherent in the testing, manufacture and sale of medical devices for the treatment of MDD, OCD and other potential indications. Our treatments are designed for patients who suffer from significant psychiatric and neurological disorders and addictions, and these patients are more likely to experience significant adverse health outcomes, which could increase the risk of product liability lawsuits. Furthermore, if physicians and other operators are not sufficiently trained in the use of our Deep TMS systems, they may misuse or ineffectively use our system, which may result in unsatisfactory patient outcomes. We could become the subject of product liability lawsuits alleging that component failures, malfunctions, manufacturing flaws, design defects or inadequate disclosure of product-related risks or product-related information resulted in an unsafe condition or injury to patients.

Regardless of the merit or eventual outcome, product liability claims may result in:

- decreased demand for Deep TMS;
- injury to our reputation and brand;

- significant litigation costs;
- substantial monetary awards to or costly settlements with patients;
- product recalls;
- material defense costs;
- loss of revenues;
- the inability to commercialize new indications, enhancements or features; and
- diversion of management attention from pursuing our business strategy.

Our existing product liability insurance coverage may be inadequate to protect us from any liabilities we might incur. If a product liability claim or series of claims is brought against us for uninsured liabilities or in excess of our insurance coverage, our business could suffer. Any product liability claim brought against us, with or without merit, could result in the increase of our product liability insurance rates or the inability to secure coverage in the future. In addition, a recall of some of our products, whether or not the result of a product liability claim, could result in significant costs and loss of customers.

Our insurance policies protect us only from some business risks, which will leave us exposed to significant uninsured liabilities.

We do not carry insurance for all categories of risk that our business may encounter. Some of the policies we currently maintain include liability, public liability, employers liability, property, third party liability, umbrella, workers' compensation, products and clinical trial liability and directors' and officers' insurance. We do not know, however, if these policies will provide us with adequate levels of coverage. Any significant uninsured liability may require us to pay substantial amounts, which would adversely affect our cash position and results of operations.

We bear the risk of warranty claims on our products.

We bear the risk of warranty claims on the products we supply, generally for the entire contract term for systems which are leased either via the fixed lease or risk share models, and generally for one year for Deep TMS systems we sell to customers. There can be no assurance that we will have sufficient funds, devices, components and/or personnel to cover future warranty claims. We may not be successful in claiming recovery of relevant components from our suppliers or vendors in the event of a successful warranty claim against us by a customer or that any recovery from such vendor or supplier would be adequate. In addition, warranty claims brought by our customers related to third-party components may arise after our ability to bring corresponding warranty claims against such suppliers expires, which could result in costs to us.

We could be negatively impacted by violations of applicable anti-corruption laws or violations of our internal policies designed to ensure ethical business practices.

We operate in a number of countries throughout the world, and we may operate in countries that may not have as strong a commitment to anti-corruption and ethical behavior that is required by U.S. laws or by our corporate policies. We are subject to the risk that we, our U.S. employees or any future employees or consultants located in other jurisdictions or any third parties such as our distributors that we engage to do work on our behalf in foreign countries may take action determined to be in violation of anti-corruption laws in any jurisdiction in which we conduct business, including the FCPA. The FCPA generally prohibits covered entities and their intermediaries from engaging in bribery or making other prohibited payments, offers or promises to foreign officials for the purpose of obtaining or retaining business or other advantages. In addition, the FCPA imposes recordkeeping and internal

controls requirements on publicly traded corporations and their foreign affiliates, which are intended to, among other things, prevent the diversion of corporate funds to the payment of bribes and other improper payments, and to prevent the establishment of "off books" slush funds from which such improper payments can be made.

We will face significant risks if we fail to comply with the FCPA and other laws that prohibit improper payments, offers or promises of payment to foreign governments and their officials and political parties by us and other business entities for the purpose of obtaining or retaining business or other advantages. In many foreign countries, particularly in countries with developing economies, it may be a local custom that businesses operating in such countries engage in business practices that are prohibited by the FCPA or other laws and regulations. We have implemented or are in the process of implementing company policies relating to compliance with the FCPA and similar laws. However, such policies may not be effective at preventing all potential FCPA or other violations. Although our agreements with our international distributors state our expectations for our distributors' compliance with U.S. laws, including the FCPA, and provide us with various remedies upon any non-compliance, including the ability to terminate the agreement, our distributors may not comply with U.S. laws, including the FCPA.

Any violation of the FCPA or any similar anti-corruption law or regulation could result in substantial fines, sanctions, civil and/or criminal penalties and curtailment of operations in certain jurisdictions and might harm our business, financial condition or results of operations.

Performance issues, service interruptions or price increases by our shipping carriers could adversely affect our business and harm our reputation and ability to provide our services on a timely basis.

Expedited, reliable shipping is essential to our operations. We rely heavily on providers of transport services for reliable and secure point-to-point transport of our products to our customers and for tracking of these shipments. Should a carrier encounter delivery performance issues such as loss, damage or destruction of any systems, it would be costly to replace such systems in a timely manner and such occurrences may damage our reputation and lead to decreased demand for our products and increased cost and expense to our business. In addition, any significant increase in shipping rates could adversely affect our operating margins and results of operations. Similarly, strikes, severe weather, natural disasters or other service interruptions affecting delivery services we use would adversely affect our ability to process orders for our products on a timely basis.

Our operations are vulnerable to interruption or loss due to natural or other disasters, power loss, strikes and other events beyond our control.

A major earthquake, fire or other disaster, such as a major flood, seasonal storms, military action or terrorist attack affecting our facilities, or those of our third-party manufacturers or suppliers, could significantly disrupt our or their operations, and delay or prevent product shipment or installation during the time required to repair, rebuild or replace our third-party manufacturers or suppliers' damaged manufacturing facilities. These delays could be lengthy and costly. If any of our manufacturers', suppliers' or customers' facilities are negatively impacted by a disaster, shipments of our products could be delayed. Additionally, customers may delay purchases of our products until operations return to normal. Even if we are able to quickly respond to a disaster, the ongoing effects of the disaster could create some uncertainty in the operations of our business. Any shortages may increase our costs for power and energy supplies or could result in blackouts, which could disrupt the operations of our affected facilities and harm our business. In addition, concerns about terrorism, the effects of a terrorist attack, political turmoil or an outbreak of epidemic diseases could have a negative effect on our operations.

If we experience significant disruptions in our information technology systems, our business may be adversely affected.

We depend on our information technology systems for the efficient functioning of our business accounting, data storage, compliance, purchasing and inventory management. While we will attempt to mitigate interruptions, we may experience difficulties in implementing upgrades to our information technology systems, which would impact our business operations, or experience difficulties in operating our business during the upgrade, either of which could disrupt our operations, including our ability to timely ship and track product orders, project inventory requirements, manage our supply chain and otherwise adequately service our customers. In the event we experience significant disruptions as a result of the current implementation of our information technology systems, we may be unable to repair our systems in an efficient and timely manner. Accordingly, such events may disrupt or reduce the efficiency of our entire operation and have a material adverse effect on our results of operations and cash flows.

We are increasingly dependent on sophisticated information technology for our infrastructure. Our information systems require an ongoing commitment of significant resources to maintain, protect and enhance existing systems. Failure to maintain or protect our information systems and data integrity effectively could have a materially adverse effect on our business.

We rely on the use of technology and may become subject to cyber-terrorism or other compromises and shut-downs.

We rely heavily on our internal computer and information technology systems. Our information technology systems may be subject to cyber-terrorism or other compromises and shut-downs, which may result in unauthorized access to our proprietary information, destruction of our data or disability, degradation or sabotage of our systems, often through the introduction of computer viruses, cyber-attacks and other means, and could originate from a variety of sources, including internal or unknown third parties. We cannot predict what effects such cyber-attacks or compromises or shut downs may have on our business, and the consequences could be material. Cyber incidents may remain undetected for an extended period, which could exacerbate these consequences. If our information systems or other technology are compromised, it could have a material adverse effect on our business.

Security and privacy breaches may expose us to liability and harm our reputation and business.

As part of our business we may receive and process information about our customers, partners and, potentially, their patients, including protected health information (PHI), and we may configure our devices to store or contract with third parties to store our customers' data, including PHI. PHI, a subset of individually identifiable information, is regulated at the federal level by the Health Insurance Portability and Accountability Act (HIPAA), as amended by the Health Information and Technology for Economic and Clinical Health Act of 2009 (HITECH), and by various laws at the state level, as more fully described below. To the extent we, or third parties we contract with, store or transfer PHI, we may be required to safeguard PHI in accordance with HIPAA. Furthermore, to the extent we qualify as a business associate under HIPAA, we may be directly liable for compliance with HIPAA.

While we implemented security measures relating to our operations, generally, those measures may not prevent security breaches that could harm our business. Advances in computer capabilities, inadequate technology or facility security measures or other factors may result in a compromise or breach of our systems and the data and PHI we store and process. Our security measures may be breached as a result of actions by third parties or employee error or malfeasance. A party who is able to circumvent our security measures or exploit inadequacies in our security measures, could, among other things, misappropriate proprietary information, including information about our customers and their patients, cause the loss or disclosure of some or all of this information, cause interruptions in our

or our customers' operations or expose our customers to computer viruses or other disruptions or vulnerabilities. Any compromise of our systems or the data we store or process could implicate reporting requirements under applicable laws, result in a loss of confidence in the security of our software, damage our reputation, disrupt our business, lead to legal liability and adversely affect our results of operations. Moreover, a compromise of our systems could remain undetected for an extended period of time, exacerbating the impact of that compromise. Actual or perceived vulnerabilities may lead to claims against us by our customers, their patients or other third parties, including the federal and state governments. While our customer agreements typically contain provisions that seek to limit our liability, there is no assurance these provisions will be enforceable and effective under applicable law. In addition, the cost and operational consequences of implementing further data protection measures could be significant.

We may seek to grow our business through acquisitions or investments in new or complementary businesses, products or technologies, through the licensing of products or technologies from third parties. The failure to manage acquisitions, investments, licenses or other strategic alliances, or the failure to integrate them with our existing business, could harm our business.

Our success depends in part on our ability to continually enhance and broaden our product offerings in response to changing customer demands, competitive pressures, technologies and market pressures. Accordingly, from time to time, we may consider opportunities to acquire, make investments in or license other technologies, products and businesses that may enhance our capabilities, complement our current products or expand the breadth of our markets or customer base. Potential and completed acquisitions, strategic investments, licenses and other alliances involve numerous risks, including:

- difficulty assimilating or integrating acquired or licensed technologies, products or business operations;
- issues maintaining uniform standards, procedures, controls and policies;
- unanticipated costs associated with acquisitions or strategic alliances, including the assumption of unknown or contingent liabilities and the incurrence of debt or future write-offs of intangible assets or goodwill;
- diversion of management's attention from our core business and disruption of ongoing operations;
- adverse effects on existing business relationships with suppliers, distributors and customers;
- risks associated with entering new markets in which we have limited or no experience;
- potential losses related to investments in other companies;
- potential loss of key employees of the acquired businesses; and
- increased legal and accounting compliance costs.

We do not know if we will be able to identify acquisitions or strategic relationships we deem suitable, whether we will be able to successfully complete any such transactions on favorable terms or at all or whether we will be able to successfully integrate any acquired business, product or technology into our business or retain any key personnel, suppliers or distributors.

Foreign acquisitions involve unique risks in addition to those mentioned above, including those related to integration of operations across different cultures, languages and legal and regulatory environments, currency risks and the particular economic, political and regulatory risks associated with specific countries.

To finance any acquisitions, investments or strategic alliances, we may choose to issue ordinary shares or other equity-linked securities as consideration, which could dilute the ownership of our shareholders. Additional funds may not be available on terms that are favorable to us, or at all. If the price of our ordinary shares is low or volatile, we may be unable to consummate any acquisitions, investments or strategic alliances using our shares as consideration.

Risks Related to Employee Matters

If we are not able to retain our key management, or attract and retain qualified scientific, technical and business personnel, our ability to implement our business plan may be adversely affected.

Our success largely depends on the skill, experience and effort of our senior management. The loss of the service of any of these persons, including the chairman of our board of directors, Dr. David Zacut, our chief executive officer, Mr. Yaacov Michlin, and our chief scientist, Dr. Yiftach Roth, would likely result in a significant loss in the knowledge and experience that we possess and could significantly delay or prevent successful product development and other business objectives. There is intense competition from numerous medical device, pharmaceutical and biotechnology companies, universities, governmental entities and other research institutions, seeking to employ qualified individuals in the technical fields in which we operate, and we may not be able to attract and retain the qualified personnel necessary for the successful development and commercialization of Deep TMS.

Employment litigation and unfavorable publicity could negatively affect our future business.

Employees may, from time to time, bring lawsuits against us regarding injury, creating a hostile work place, discrimination, wage and hour, sexual harassment and other employment issues. In recent years there has been an increase in the number of discrimination and harassment claims generally. Coupled with the expansion of social media platforms and similar devices that allow individuals access to a broad audience, these claims have had a significant negative impact on some businesses. Companies that have faced employment or harassment related lawsuits have had to terminate management or other key personnel, and have suffered reputational harm that has negatively impacted their sales. If we were to face any employment related claims, our business could be negatively affected.

Under applicable employment laws, we may not be able to enforce covenants not to compete.

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

Risks Related to Government Regulation

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

We are subject to extensive regulation in the United States and elsewhere, including by the FDA, FTC and their foreign counterparts. The FDA and foreign regulatory agencies regulate, among other things, with respect to medical devices: design, development and manufacturing; testing, labeling, content and language of instructions for use and storage; clinical trials; product safety; marketing, sales

and distribution; premarket clearance and approval; record keeping procedures; advertising and promotion; recalls and field safety corrective actions; post-market surveillance, including reporting of deaths or serious injuries and malfunctions that, if they were to recur, could lead to death or serious injury; post-market approval studies; and product import and export.

The regulations to which we are subject are complex and have tended to become more stringent over time. Regulatory changes could result in restrictions on our ability to carry on or expand our operations, higher than anticipated costs or lower than anticipated sales. The FDA enforces these regulatory requirements through, among other means, periodic unannounced inspections. We do not know whether we will pass any future FDA inspections. Failure to comply with applicable regulations could jeopardize our ability to sell our products and result in enforcement actions such as: warning letters; fines; injunctions; civil penalties; termination of distribution; recalls or seizures of products; delays in the introduction of products into the market; total or partial suspension of production; refusal to grant future clearances or approvals; withdrawals or suspensions of current clearances or approvals, resulting in prohibitions on sales of our products; and in the most serious cases, criminal penalties.

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

An element of our strategy is to continue to upgrade our Deep TMS systems, add new enhancements and features and expand clearance or approval of the Deep TMS System to include new indications. In the United States, before we can market a new medical device, or claim new or expanded indications for use or introduce a significant modification to an existing product, we must first receive either clearance under Section 510(k) of the Federal Food, Drug, and Cosmetic Act, or the FDCA, *de novo* classification, or premarket approval application (PMA), from the FDA, unless an exemption applies. In the 510(k) clearance process, before a device may be marketed, the FDA must determine that a proposed device is "substantially equivalent" to a legally-marketed "predicate" device, which includes a device that has been previously cleared through the 510(k) process, a device that was legally marketed prior to May 28, 1976 (pre-amendments device), a device that was originally on the U.S. market pursuant to a PMA and later down-classified, or a 510(k)-exempt device. To be "substantially equivalent," the proposed device must have the same intended use as the predicate device, and either have the same technological characteristics as the predicate device or have different technological characteristics and not raise different questions of safety or effectiveness than the predicate device. Clinical data are sometimes required to support substantial equivalence. In the PMA process, the FDA must determine that a proposed device is safe and effective for its intended use based, in part, on extensive data, including, but not limited to, technical, pre-clinical, clinical trial, manufacturing and labeling data. The PMA process is typically required for devices that are deemed to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices. However, some devices are automatically subject to the PMA pathway regardless of the level of risk they pose because they have not previously been classified into a lower risk class by the FDA. Manufacturers of these devices may request that FDA review such devices in accordance with the *de novo* classification procedure, which allows a manufacturer whose novel device would otherwise require a PMA prior to marketing to request down-classification of the device on the basis that the device presents low or moderate risk. If the FDA grants the *de novo* classification request, the applicant will then receive authorization to market the device. This device type can then be used as a predicate device for future 510(k) submissions. We received marketing authorization of our MDD indication through the 510(k) clearance process and we have made changes to our system for the MDD indication through subsequent 510(k) clearances. We received marketing authorization of our OCD indication through the *de novo* classification process, but will be permitted to make changes to our system for the OCD indication through subsequent 510(k) clearances. Competitors may seek 510(k) clearance of a TMS device for an OCD indication and use our *de novo* classification as a predicate device in their

submission. The process of obtaining regulatory authorization to market a medical device can be costly and time consuming, and we may not be able to successfully obtain authorizations on a timely basis, if at all.

The FDA can delay, limit or deny clearance or approval of a device for many reasons, including: we may be unable to demonstrate to the FDA's satisfaction that the product or modification is substantially equivalent to the proposed predicate device or is safe and effective for its intended use; the data from our pre-clinical studies and clinical trials may be insufficient to support authorization, where required; and the manufacturing process or facilities we use may not meet applicable requirements.

Even if granted, a 510(k) clearance, *de novo* classification, or PMA imposes substantial restrictions on how our devices may be marketed or sold, and the FDA continues to place considerable restrictions on our products and operations. For example, the manufacture of medical devices must comply with the FDA's Quality System Regulation (QSR). In addition, manufacturers must register their manufacturing facilities, list the products with the FDA, and comply with requirements relating to labeling, marketing, complaint handling, adverse event and medical device reporting, reporting of corrections and removals, and import and export restrictions. The FDA monitors compliance with the QSR and these other requirements through periodic inspections. If our facilities or those of our suppliers are found to be in violation of applicable laws and regulations, or if we or suppliers fail to take satisfactory corrective action in response to an adverse inspection, the regulatory authority could take enforcement action, including any of the following sanctions: untitled letters, warning letters, fines, injunctions, consent decrees and civil penalties; customer notifications or repair, replacement, refunds, recalls, detention or seizure of our products; operating restrictions or partial suspension or total shutdown of production; refusing or delaying requests for 510(k) marketing clearance or PMA approvals of new products or modified products; withdrawing 510(k) marketing clearances or PMA approvals that have already been granted; refusing to provide Certificates for Foreign Government; refusing to grant export approval for our products; or pursuing criminal prosecution. Any of these sanctions could impair our ability to produce or commercialize our products in a cost-effective and timely manner in order to meet our customers' demands, and could have a material adverse effect on our reputation, business, results of operations and financial condition. We may also be required to bear other regulatory compliance costs or take other actions that may have a negative impact on our sales and our ability to generate profits.

In addition, the FDA may change its clearance and approval policies, adopt additional regulations or revise existing regulations, or take other actions, which may prevent or delay authorization of our future products under development or impact our ability to modify our currently marketed products on a timely basis. Such policy or regulatory changes could impose additional requirements upon us that could delay our ability to obtain new 510(k) clearances, increase the costs of compliance or restrict our ability to maintain our current clearances. We also cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative or executive action, either in the United States or abroad. For example, certain policies of the Trump administration may impact our business and industry. Namely, the Trump administration has taken several executive actions, including the issuance of a number of Executive Orders, that could impose significant burdens on, or otherwise materially delay, the FDA's ability to engage in routine regulatory and oversight activities such as implementing statutes through rulemaking, issuance of guidance, and review and approval of marketing applications. It is difficult to predict how these executive actions, including the Executive Orders, will be implemented, and the extent to which they will impact the FDA's ability to exercise its regulatory authority. If these executive actions impose constraints on FDA's ability to engage in oversight and implementation activities in the normal course, our business may be negatively impacted.

In order to sell our products in member countries of the EEA, or in countries that also rely on the CE Mark outside the EEA, our products must comply with the essential requirements of the EU Medical Devices Directive (Council Directive 93/42/EEC), and, by 2020 comply with the Medical Device Regulation (Regulation 2017/745). Compliance with these requirements is a prerequisite to be able to affix the CE Mark to our products, without which they cannot be sold or marketed in the EEA. To demonstrate compliance with the essential requirements we must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low-risk medical devices (Class I non-sterile, non-measuring devices), where the manufacturer can issue an EC Declaration of Conformity based on a self-assessment of the conformity of its products with the essential requirements of the EU Medical Devices Directive, a conformity assessment procedure requires the intervention of an organization accredited by a Member State of the EEA to conduct conformity assessments, or a Notified Body. Depending on the relevant conformity assessment procedure, the Notified Body would typically audit and examine the technical file and the quality system for the manufacture, design and final inspection of our devices. The Notified Body issues a certificate of conformity following successful completion of a conformity assessment procedure conducted in relation to the medical device and its manufacturer and their conformity with the essential requirements. This certificate entitles the manufacturer to affix the CE Mark to its medical devices after having prepared and signed a related EC Declaration of Conformity. If we fail to remain in compliance with applicable European laws and directives, we would be unable to continue to affix the CE Mark to our device, which would prevent us from selling them within the EEA and may have an impact on our marketing authorizations in other countries.

We or our distributors will also need to obtain, or retain, regulatory approval in other foreign jurisdictions in which we plan to or currently do market and sell our products, and we or they may not obtain such approvals as necessary to commercialize our products in those territories. Regulatory marketing authorizations in these foreign jurisdictions typically require device testing, conformance to classification requirements, pre-market requests to authorize commercialization, and in some cases inspections.

Modifications to our Deep TMS systems may require new 510(k) clearances, de novo classification or PMA, and may require us to cease marketing or recall the modified products until authorizations are obtained.

Any modification to a 510(k)-cleared product that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, design or manufacture, requires a new 510(k) clearance or *de novo* classification, or possibly, a PMA. Modifications to products that have been approved through the PMA process generally require premarket FDA approval. Similarly, certain modifications made to products cleared through a 510(k) or authorized through the *de novo* classification process may require a new 510(k) clearance. Each of the PMA, *de novo* classification and the 510(k) clearance processes can be expensive, lengthy and uncertain. The FDA's 510(k) clearance process usually takes from three to 12 months, but can last longer. The process of obtaining a PMA is much more costly and uncertain than the 510(k) clearance process and generally takes from one to three years, or even longer, from the time the application is filed with the FDA. In addition, a PMA generally requires the performance of one or more clinical trials. We will need to submit a request for 510(k) clearance of our proprietary stimulator as a modification to the recent marketing authorization for the OCD indication prior to incorporating the proprietary stimulator into Deep TMS systems commercialized for the OCD indication.

Despite the time, effort and cost, a device may not be approved or cleared by the FDA. Any delay or failure to obtain necessary regulatory authorizations could harm our business. Furthermore, even if we are granted regulatory authorizations, they may include significant limitations on the indicated uses for the device, which may limit the market for the device.

Any modifications to our existing products may require new 510(k) clearance; however, future modifications may be subject to the substantially more costly, time-consuming and uncertain PMA process. If the FDA requires us to go through a lengthier, more rigorous examination for future products or modifications to existing products than we had expected, product introductions or modifications could be delayed or canceled, which could cause our sales to decline.

The FDA requires every manufacturer to make this modification determination in the first instance, but the FDA may review any manufacturer's decision. The FDA may not agree with our decisions regarding whether new authorizations are necessary. We have made modifications to our products in the past and have determined based on our review of the applicable FDA regulations and guidance that in certain instances new 510(k) clearances were not required. We may make modifications or add additional enhancements or features in the future that we believe do not require a new 510(k) clearance, *de novo* classification or a PMA. If the FDA disagrees with our determination and requires us to submit new 510(k) notifications, *de novo* classifications or PMAs for modifications to our previously authorized products for which we have concluded that new authorizations are unnecessary, we may be required to cease marketing or to recall the modified product until we obtain appropriate regulatory authorization, and we may be subject to significant regulatory fines or penalties. In addition, the FDA may not authorize our products for the indications that are necessary or desirable for successful commercialization or could require clinical trials to support any modifications. Any delay or failure in obtaining required regulatory authorizations would adversely affect our ability to introduce new or enhanced products in a timely manner, which in turn would harm our future growth.

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

The methods used in, and the facilities used for, the manufacture of our products must comply with the QSR, which is a complex regulatory scheme that covers the procedures and documentation of the design, testing, production, process controls, quality assurance, labeling, packaging, handling, storage, distribution, installation, servicing and shipping of medical devices. Furthermore, we are required to verify that our suppliers maintain facilities, procedures and operations that comply with our quality standards and applicable regulatory requirements. The FDA enforces the QSR through periodic announced or unannounced inspections of medical device manufacturing facilities, which may include the facilities of subcontractors. Our products are also subject to similar state regulations and various laws and regulations of foreign countries governing manufacturing. Foreign regulatory authorities also impose manufacturing quality requirements, that may differ from the FDA requirements, with which we must comply.

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

Any of these actions could significantly and negatively impact supply of our Deep TMS systems. If any of these events occurs, our reputation could be harmed, we could be exposed to product liability claims and we could lose customers and suffer reduced revenues and increased costs.

If treatment guidelines for the clinical conditions we are targeting change or the standard of care evolves, we may need to redesign and seek new marketing authorization from the FDA for one or more of our products.

If treatment guidelines for the clinical conditions we are targeting or the standard of care for such conditions evolves, we may need to redesign our Deep TMS systems and seek new marketing authorizations from the FDA. Our existing 510(k) and *de novo* clearances from the FDA are based on current treatment guidelines. Additionally, if treatment guidelines change so that different treatments become desirable, the clinical utility of one or more of our indications could be diminished and our business could suffer.

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

Deep TMS system has been authorized for marketing by the FDA only for MDD and OCD indications. We train our commercial organization and distributors outside the United States to not promote our products for uses outside of the FDA-authorized indications for use, known as "off-label uses." We cannot, however, prevent a physician from using our products off-label, when in the physician's independent professional medical judgment he or she deems it appropriate. There may be increased risk of injury to patients if physicians attempt to use Deep TMS off-label. Furthermore, the use of Deep TMS for MDD or OCD other than as stated on the FDA label, or for indications other than those authorized by the FDA, may not effectively treat such conditions, which could harm our reputation in the marketplace among physicians and patients. There are similar risks if Deep TMS is used off-label with respect to non-U.S. regulatory approvals.

If the FDA or any foreign regulatory body determines that our promotional materials, training or other marketing activities constitute promotion of an off-label or unapproved use, it could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, including the issuance or imposition of an untitled letter, a warning letter, injunction, seizure, civil fine or criminal penalties. It is also possible that other federal, state or foreign enforcement authorities might take action under other regulatory authority, such as laws prohibiting false claims for reimbursement.

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

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

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

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

Companies are required to maintain certain records of corrective actions, even if they are not reportable to the FDA. We may initiate voluntary corrective actions for our products in the future that we determine do not require notification to the FDA. If the FDA disagrees with our determinations, it could require us to report those actions as recalls and we may be subject to enforcement action. A future recall announcement could harm our reputation with customers, potentially lead to product liability claims against us and negatively affect our sales.

Any adverse event involving Deep TMS systems could result in voluntary corrective actions, such as recalls or customer notifications, or agency action, such as inspection, mandatory recall or other enforcement action. Any corrective action, whether voluntary or involuntary, as well as exposing us to private litigation, would require the dedication of our time and capital, distract management from operating our business and may harm our reputation and financial results.

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

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

Regulatory authorization by the FDA and/or the permission to affix the CE Mark does not ensure clearance or approval by regulatory authorities in other jurisdictions, and clearance or approval by one or more foreign regulatory authorities does not ensure clearance or approval by the FDA, the EU and/or the regulatory authorities in other foreign countries. However, a failure or delay in obtaining

regulatory clearance or approval in one country may have a negative effect on the regulatory process in others.

We are subject to certain federal, state and foreign fraud and abuse laws, health information privacy and security laws and transparency laws, which, if violated, could subject us to substantial penalties. Additionally, any challenge to or investigation into our practices under these laws could cause adverse publicity and be costly to respond to, and thus could harm our business.

There are numerous U.S. federal and state, as well as foreign, laws pertaining to healthcare fraud and abuse, including anti-kickback, false claims and physician transparency laws. Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations involve substantial costs. Our business practices and relationships with providers and patients are subject to scrutiny under these laws. We may also be subject to patient information privacy and security regulation by both the federal government and the states and foreign jurisdictions in which we conduct our business. The healthcare laws and regulations that may affect our ability to operate include:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons and entities from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchase, order or recommendation of a good or service, for which payment may be made, in whole or in part, under federal healthcare programs, such as Medicare and Medicaid. The term "remuneration" has been broadly interpreted to include anything of value. The intent standard under the federal Anti-Kickback Statute was amended by the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, (PPACA), to a stricter standard such that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it, in order to have committed a violation. Moreover, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act;

- the federal civil and criminal false claims laws and civil monetary penalties laws, including the federal civil False Claims Act, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, false, fictitious or fraudulent claims for payment from Medicare, Medicaid or other federal healthcare programs, and knowingly making, using or causing to be made or used a false record or statement material to a false or fraudulent claim to avoid, decrease or conceal an obligation to pay money to the federal government. Private individuals can bring False Claims Act "qui tam" actions, on behalf of the government and such individuals, commonly known as "whistleblowers," and may share in amounts paid by the entity to the government in fines or settlement. Companies have been prosecuted under the False Claims Act in connection with alleged off-label promotion of devices and allegedly providing free products to customers with the expectation that the customers would bill federal health care programs for the product. As a result of a modification made by the Fraud Enforcement and Recovery Act of 2009, a claim includes "any request or demand" for money or property presented to the U.S. government. In addition, manufacturers can be held liable under the False Claims Act even when they do not submit claims directly to government payers if they are deemed to "cause" the submission of false or fraudulent claims;

- HIPAA, which created additional federal criminal statutes that prohibit, among other things, executing or attempting to execute a scheme to defraud any healthcare benefit program, including private third-party payers, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up a material fact or making any

materially false, fictitious or fraudulent statements or representations, or making or using any false writing or document knowing the same to contain any materially false, fictitious or fraudulent statement or entry in connection with the delivery of, or payment for, healthcare benefits, items or services. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it to have committed a violation;

- the federal Physician Payments Sunshine Act under PPACA which requires certain manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) to report annually to the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services, information related to payments and other transfers of value to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, and applicable manufacturers and group purchasing organizations, as well as ownership and investment interests held by physicians and their immediate family members;

- HIPAA, as amended by HITECH, and their respective implementing regulations, which imposes privacy, security transmission and breach reporting obligations with respect to individually identifiable health information, including PHI, upon entities subject to the law, such as health plans, healthcare clearinghouses and certain healthcare providers, and their respective business associates that perform services on their behalf that involve individually identifiable health information, including PHI. 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 HIPAA laws and seek attorneys' fees and costs associated with pursuing federal civil actions; and

- analogous state and foreign law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payer, including commercial insurers or patients; state laws that require device companies to comply with the industry's voluntary compliance guidelines and the applicable compliance guidance promulgated by the federal government or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state and local laws that require the licensure of sales representatives; state laws that require device manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures and pricing information; data privacy and security laws and regulations in foreign jurisdictions that may be more stringent than those in the United States (such as the EU, which adopted the General Data Protection Regulation, which became effective in May 2018); state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts; and state laws related to insurance fraud in the case of claims involving private insurers.

These laws and regulations, among other things, constrain our business, marketing and other promotional activities by limiting the kinds of financial arrangements, including sales programs, we may have with physicians or other potential purchasers of our products. We have also entered into consulting agreements with physicians, which are subject to these laws. Further, while we do not submit claims and our customers will make the ultimate decision on how to submit claims, we may provide reimbursement guidance and support regarding our products. Due to the breadth of these laws, the narrowness of statutory exceptions and regulatory safe harbors available, and the range of interpretations to which they are subject, it is possible that some of our current or future practices might be challenged under one or more of these laws.

To enforce compliance with healthcare regulatory laws, certain enforcement bodies have recently increased their scrutiny of interactions between healthcare companies and healthcare providers, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry. Responding to investigations can be time-and resource-consuming and can divert management's attention from the business. Any such investigation or settlement could increase our costs or otherwise have an adverse effect on our business. Even an unsuccessful challenge or investigation into our practices could cause adverse publicity, and be costly to respond to.

If our operations are found to be in violation of any of the healthcare laws or regulations described above or any other healthcare regulations that apply to us, we may be subject to penalties, including administrative, civil and criminal penalties, damages, fines, disgorgement, exclusion from participation in government healthcare programs, such as Medicare and Medicaid, imprisonment, additional reporting obligations and oversight if we becomes subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, reputational harm, and the curtailment or restructuring of our operations.

Healthcare policy changes, including recently enacted legislation reforming the U.S. healthcare system, could harm our cash flows, financial condition and results of operations.

From time to time, legislation is drafted and introduced in Congress that could significantly change the statutory provisions governing the regulation of medical devices. In addition, FDA regulations and guidance are often revised or reinterpreted by the FDA in ways that may significantly affect our business and our products. Any new statutes, regulations, revisions, or reinterpretations of existing regulations may impose additional costs, lengthen review times of any future products, or make it more difficult to manufacture, market or distribute our products. We cannot determine what effect changes in regulations, statutes, legal interpretation or policies, when and if promulgated, enacted or adopted may have on our business in the future.

For example, in March 2010, the PPACA was enacted in the United States, which made a number of substantial changes in the way healthcare is financed by both governmental and private insurers. Among other ways in which it may impact our business, the PPACA:

- imposes an annual excise tax of 2.3% on any entity that manufactures or imports medical devices offered for sale in the United States, with limited exceptions (described in more detail below), although the effective rate paid may be lower. Under the Consolidated Appropriations Act of 2016 and due to subsequent legislative amendment, the excise tax has been suspended through December 31, 2019;

- establishes a new Patient-Centered Outcomes Research Institute to oversee and identify priorities in comparative clinical effectiveness research in an effort to coordinate and develop such research;

- implements payment system reforms including a national pilot program on payment bundling to encourage hospitals, physicians and other providers to improve the coordination, quality and efficiency of certain healthcare services through bundled payment models; and

- expands the eligibility criteria for Medicaid programs.

Some of the provisions of the PPACA have yet to be implemented, and there have been judicial and Congressional challenges to certain aspects of the PPACA, as well as recent efforts by the Trump administration to repeal or replace certain aspects of the PPACA. Since January 2017, President Trump has signed two Executive Orders designed to delay the implementation of certain provisions of the PPACA or otherwise circumvent some of the requirements for health insurance mandated by the PPACA. Concurrently, Congress has considered legislation that would repeal or repeal and replace all or part of the PPACA. While Congress has not passed comprehensive repeal legislation, two bills

affecting the implementation of certain taxes under the PPACA have been signed into law. The Tax Cuts and Jobs Act of 2017 includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the PPACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate." Additionally, on January 22, 2018, President Trump signed a continuing resolution on appropriations for fiscal year 2018 that delayed the implementation of certain PPACA-mandated fees, including delaying imposition of the medical device excise tax on non-exempt medical devices through December 31, 2019. As a result, there is significant uncertainty regarding future healthcare reform and its impact on our operations.

In addition, other legislative changes have been proposed and adopted since the PPACA was enacted. On August 2, 2011, the Budget Control Act of 2011 was signed into law, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend to Congress proposals for spending reductions. The Joint Select Committee did not achieve a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, triggering the legislation's automatic reduction to several government programs. On January 2, 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, reduced Medicare payments to several types of providers, including hospitals, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

Recently there has been heightened governmental scrutiny over the manner in which drug and medical device manufacturers set prices for their marketed products, which has resulted in several U.S. Congressional inquiries and proposed federal legislation designed to, among other things, bring more transparency to product pricing, reduce the cost of certain products under Medicare, review the relationship between pricing and manufacturer patient assistance programs, and reform government program reimbursement methodologies. At the state level, individual states in the United States are also increasingly passing legislation and implementing regulations designed to control product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures.

We expect additional state and federal healthcare reform measures to be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our products or additional pricing pressure.

Our employees, consultants, distributors, agents and other commercial partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements.

We are exposed to the risk that our employees, consultants, distributors, agents and other commercial partners may engage in inappropriate, fraudulent or illegal activity. Misconduct by these parties could include intentional, reckless or negligent conduct or other unauthorized activities that violate the regulations of the FDA and other U.S. healthcare regulators, as well as non-U.S. regulators, including by violating laws requiring the reporting of true, complete and accurate information to such regulators, manufacturing standards, healthcare fraud and abuse laws and regulations in the United States and abroad or laws that require the true, complete and accurate reporting of financial information or data. In particular, sales, marketing and business arrangements in the healthcare industry, including the sale of medical devices, are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. It is not always possible to identify and deter misconduct by our employees, distributors, agents and other third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other

actions or lawsuits stemming from a failure to comply with these laws or regulations. Efforts to ensure that the activities of these parties will comply with applicable healthcare laws and regulations involve substantial costs. These risks may be more pronounced, and we may find that the processes and policies we have implemented are not effective at preventing misconduct. If any actions are instituted against us and we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of significant fines or other sanctions, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, individual imprisonment, disgorgement, possible exclusion from participation in government healthcare programs, additional reporting obligations and oversight if we becomes subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, contractual damages, reputational harm, diminished profits and future earnings and the curtailment of our operations. Whether or not we are successful in defending against such actions or investigations, we could incur substantial costs, including legal fees, and divert the attention of management in defending ourselves against any of these claims or investigations.

Risks Related to Our Intellectual Property

We depend on our intellectual property, and our future success is dependent on our ability to protect our intellectual property and not infringe on the rights of others.

Our success depends, in part, on our ability to obtain sufficient patent protection and/or licensing rights for Deep TMS (including, but not limited to, the various H-Coils utilized in our devices and various product features/capabilities), maintain the confidentiality of our trade secrets and know how, operate without infringing on the proprietary rights of others and prevent others from infringing our proprietary rights. Our success also depends, in part, on the ability of the U.S. Public Health Service, or PHS, which refers collectively to the National Institutes of Health, or NIH, the Centers for Disease Control and Prevention, and the FDA, as agencies of the PHS within the United States Department of Health and Human Services, or the DHHS, and Yeda Research and Development Company Ltd., or Yeda, the technology transfer arm of the Weizmann Institute of Science, from whom we license essential intellectual property upon which Deep TMS technology is based, to obtain sufficient patent protection for such intellectual property, maintain the confidentiality of related trade secrets and know how, operate without infringing on the proprietary rights of others and prevent others from infringing such intellectual property.

We and our licensors try to protect our proprietary position by, among other things, filing U.S., European, and other patent applications related to Deep TMS, as well as inventions and improvements that may be important to the continuing development of Deep TMS. While we generally apply for patents in those countries where we intend to make, have made, use, or sell patented products, we may not accurately predict all of the countries where patent protection will ultimately be desirable. If we fail to timely file a patent application in any such country, we may be precluded from doing so at a later date. In addition, we cannot assure you that:

- any of our future processes or product indications will be patentable;
- our processes or product indications will not infringe upon the patents of third parties; or
- we will have the resources to defend against charges of patent infringement or other violation or misappropriation of intellectual property by third parties or to protect our own intellectual property rights against infringement, misappropriation or violation by third parties.

Because the patent position of medical device companies involves complex legal and factual questions, we cannot predict the validity and enforceability of patents with certainty. Changes in either the patent laws or in interpretations of patent laws may diminish the value of our intellectual property. Accordingly, we cannot predict the breadth of claims that may be allowable or enforceable in our

patents (including patents owned by or licensed to us). Our issued patents may not provide us with any competitive advantages, may be held invalid or unenforceable as a result of legal challenges by third parties or could be circumvented. Our competitors may also independently develop formulations, processes and technologies or products similar to ours or design around or otherwise circumvent patents issued to, or licensed by, us. Thus, any patents that we own or license from others may not provide any protection against competitors. Our pending patent applications, those we may file in the future or those we may license from third parties may not result in patents being issued. If these patents are issued, they may not be of sufficient scope to provide us with meaningful protection. The degree of future protection to be afforded by our proprietary rights is uncertain because legal means afford relatively limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage.

Patent rights are territorial; thus, the patent protection we do have will only extend to those countries in which we have issued patents. Even so, the laws of certain countries do not protect our intellectual property rights to the same extent as do the laws of the United States and the European Union. Therefore, we cannot assure you that the patents issued, if any, as a result of our foreign patent applications will have the same scope of coverage as our U.S. patents. Competitors may successfully challenge our patents, produce similar products that do not infringe our patents, or produce products in countries where we have not applied for patent protection or that do not respect our patents. Furthermore, it is not possible to know the scope of claims that will be allowed in published applications and it is also not possible to know which claims of granted patents, if any, will be deemed enforceable in a court of law.

After the completion of development and registration of our patents, third parties may still act to manufacture and/or market products that infringe our patent protected rights, and we may not have adequate resources to enforce our patents. Any such manufacturing and/or marketing of products that infringe our patent rights may significantly harm our business, results of operations and prospects.

In addition, due to the extensive time needed to develop, test and obtain regulatory approval for new indications of Deep TMS, any patents that protect these indications may expire early during the commercialization process. This may reduce or eliminate any market advantages that such patents may give us. Following patent expiration, we may face increased competition through the entry of competing products into the market and a subsequent decline in market share and profits.

However, our business interests may change or our licensees may disagree with the scope of our license grants. In such cases, such licensing arrangements may result in the development, manufacturing, marketing and sale by our licensees of products substantially similar to our products, causing us to face increased competition, which could reduce our market share and significantly harm our business, results of operations and prospects.

The lives of our patents may not be sufficient to effectively protect our products and business.

Patents have a limited lifespan. In the United States, the natural expiration of a patent is generally 20 years after its first effective non-provisional filing date. Although various extensions may be available, the life of a patent, and the protection it affords, is limited. Even if patents covering our technologies, products, or product candidates are obtained, once the patent life has expired, we may be open to competition. Patents covering some of our core technology have expired or will expire within the next five years. In particular, the earliest of our U.S. patents on Deep TMS is set to expire in 2024. See "Business—Intellectual Property". In addition, although upon issuance in the United States a patent's life can be increased based on certain delays caused by the United States Patent and Trademark Office (USPTO), this increase can be reduced or eliminated based on certain delays caused by the patent applicant during patent prosecution. If we do not have sufficient patent life to protect

our technologies, products, and product candidates, our business and results of operations will be adversely affected.

Our right to the essential intellectual property upon which the Deep TMS technology is based results from in-license agreements with government agencies and research institutions, the termination of which would prevent us from commercializing Deep TMS.

We have in-licensing agreements with the PHS and Yeda. There is no assurance that the in-licenses or related rights on which we base our technology will not be terminated or expire due to a material breach of the underlying agreements or some other failure to meet the terms of agreement, such as a failure on our part to make certain progress milestone payments set forth in the terms of the licenses or to comply with manufacturing obligations under these agreements. There is no assurance that we will be able to renew or renegotiate our license agreements on acceptable terms if and when such agreements terminate. We cannot guarantee that any in-license is enforceable or will not be terminated in the future. The termination of any in-license or our inability to enforce our rights under any in-license would materially and adversely affect our ability to commercialize our Deep TMS.

Our license agreements for our critical patents and related intellectual property impose significant monetary obligations and other requirements that may adversely affect our ability to successfully execute our business plan.

We depend upon license agreements with the PHS and Yeda for our intellectual property rights to Deep TMS technology. Deep TMS was developed by our founders, among others, prior to our founding over the course of their work for the PHS. The key family of patents and patent applications upon which the unique coil of Deep TMS technology is based is owned by the DHHS (based on an assignment of the related rights from the PHS) and is exclusively in-licensed to us under a license agreement with the PHS. In addition, a second family of patent applications covering additional functions of Deep TMS (including the multichannel stimulator that we are developing for use in a more advanced version of our system), which is jointly owned by us with the NIH and Yeda, is also licensed to us under the PHS license agreement and our license agreement with Yeda.

Our license agreement with Yeda provides for in-licensed rights to both a second family of patent applications and a third family of patent applications that covers additional characteristics of Deep TMS (including several Deep TMS coils and stimulators and methods of use), and we have commissioned research at the Weizmann Institute related to the Deep TMS under this agreement.

These agreements provide us an exclusive (subject to certain standard exceptions and such as described below), worldwide license, with a right to sublicense, subject to the approval of PHS and Yeda, respectively, for the life of the relevant patents (in the case of Yeda, on a per country basis or, until the 15-year anniversary of the first commercial sale (per country) of a product developed on the basis of the agreement, if later) for the development, creation, use, import, offer and sale of any product or treatment that relates to Deep TMS technology and that is developed on the basis of such patents or (in the case of the agreement with Yeda) such research. These agreements require us, as a condition to the maintenance of our license and other rights, to make milestone and royalty payments and satisfy certain performance obligations.

All of the above-described obligations impose significant financial and logistical burdens upon our ability to carry out our business plan. Furthermore, if we do not meet such obligations in a timely manner, and, in the case of milestone payment requirements, if we are unable to obtain an extension of the deadlines for meeting such payment requirements, we could lose the rights to our proprietary technology, which would have a material adverse effect on our business, financial condition and results of operations.

The key patents that underlie our Deep TMS technology are subject to the U.S. government's royalty free usage rights on a worldwide basis for any discovery based on such patents, which may have unexpected, adverse consequences upon the market for our product.

Under our PHS license agreement, the U.S. government possesses an irrevocable, nonexclusive, nontransferable royalty-free license for the practice of inventions based on the inventions upon which our Deep TMS technology is based, for the benefit of the U.S. government, foreign governments, or international organizations under any existing or future treaty or agreement applicable to the U.S. government at such time. Furthermore, the PHS may grant, or may cause us to grant, nonexclusive research licenses, for the purpose of encouraging basic research at academic or corporate facilities (but, in the case of any license to a commercial entity, subject to our right to object if we believe that such license would adversely impact the exclusivity of our rights under the agreement). The PHS may also require us to grant sublicenses to responsible applicants if the public health and safety so require, subject to our right to demonstrate that any such sublicense will not materially increase the availability to the public of our licensed rights or that such public health and safety requirements may be otherwise met without any such sublicense.

No material limits have been placed on the license held by the U.S. government for its own (or for its treaty partners' or agreement counter-parties') benefit, and it is possible that the U.S. government, a foreign government or an international organization could even commercialize a product on the basis of this license and the related technology. We cannot provide assurance that these rights will not be exploited in a manner that infringes upon our exclusive license to the PHS-owned patents, that does not develop or advance products that compete with our own, or that does not otherwise adversely impact our business. Because our rights with respect to the PHS-owned patents are critical to Deep TMS-based technologies and systems, any unexpected consequences from the U.S. government's or other third party's exploitation of such rights could have an adverse impact on the market for Deep TMS and, hence, on our business, financial condition and results of operations.

If we are unable to protect the confidentiality of our trade secrets or know-how, such proprietary information may be used by others to compete against us.

In addition to filing patent applications, we generally try to protect our trade secrets, know-how, technology and other proprietary information by entering into confidentiality or non-disclosure agreements with parties that have access to it, such as our development and/or commercialization partners, employees, contractors and consultants. We also enter into agreements that require the disclosure and assignment to us of the rights to the ideas, developments, discoveries and inventions of our employees, advisors, research collaborators, contractors and consultants while we employ or engage them. However, we cannot assure you that these agreements will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information because these agreements can be difficult and costly to enforce or may not provide adequate remedies. Any of these parties may breach the confidentiality agreements and willfully or unintentionally disclose our confidential information, or our competitors might learn of the information in some other way. The disclosure to, or independent development by, a competitor of any trade secret, know-how or other technology not protected by a patent could materially adversely affect any competitive advantage we may have over any such competitor.

To the extent that any of our employees, advisors, research collaborators, contractors or consultants independently develop, or use independently developed, intellectual property in connection with any of our projects, disputes may arise as to the proprietary rights to this type of information. If a dispute arises with respect to any proprietary right, enforcement of our rights can be costly and unpredictable and a court may determine that the right belongs to a third party.

Legal proceedings or third-party claims of intellectual property infringement and other challenges may require us to spend substantial time and money and could prevent us from developing or commercializing Deep TMS.

The development, manufacture, use, offer for sale, sale or importation of Deep TMS may infringe on the claims of third-party patents or other intellectual property rights. The nature of claims contained in unpublished patent filings around the world is unknown to us and it is not possible to know which countries patent holders may choose for the extension of their filings under the Patent Cooperation Treaty, or other mechanisms. Therefore, there is a risk that we could adopt a technology without knowledge of a pending patent application, which technology would infringe a third-party patent once that patent is issued. The cost to us of any intellectual property litigation or other infringement proceeding, even if resolved in our favor, could be substantial. Any claims of patent infringement, even those without merit, could be expensive and time consuming to defend; cause us to cease making, licensing or using products that incorporate the challenged intellectual property; require us to redesign, reengineer or rebrand Deep TMS, if feasible; cause us to stop from engaging in normal operations and activities, including developing and new indications for Deep TMS; and divert management's attention and resources. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively because of their substantially greater financial resources. Uncertainties resulting from the initiation and continuation or defense of intellectual property litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. Intellectual property litigation and other proceedings may also absorb significant management time. Consequently, we may not be able to manufacture, use, offer for sale, sell or import our Deep TMS systems in the event of an infringement action.

Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us alleging that we infringe their patents. In addition, in a patent infringement proceeding, a court may decide that a patent of ours is invalid or unenforceable, in whole or in part, construe the patent's claims narrowly or refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation proceeding could put one or more of our patents at risk of being invalidated or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

In the event of patent infringement claims, or to avoid potential claims, we may choose or be required to seek a license from a third party and would most likely be required to pay license fees or royalties or both. These licenses may not be available on acceptable terms, or at all. Even if we were able to obtain a license, the rights may be nonexclusive, which could potentially limit our competitive advantage. Ultimately, we could be prevented from commercializing a product or be forced to cease some aspect of our business operations if, as a result of actual or threatened patent infringement or other claims, we are unable to enter into licenses on acceptable terms. This inability to enter into licenses could harm our business significantly.

In addition, because of our developmental stage, claims that Deep TMS infringes on the patent rights of others are more likely to be asserted after commencement of commercial sales incorporating our technology.

We may be subject to claims that our employees, consultants, or independent contractors have wrongfully used or disclosed confidential information of third parties or that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

We employ individuals who were previously employed at universities or other medical device, biotechnology and/or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees, consultants, and independent contractors do not use the

proprietary information or know-how of others in their work for us, we may be subject to claims that we or our employees, consultants, or independent contractors have inadvertently or otherwise used or disclosed intellectual property, including trade secrets or other proprietary information, of any of our employees' former employers or other third parties. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel, which could adversely impact our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

International patent protection is particularly uncertain, and if we are involved in opposition proceedings in foreign countries, we may have to expend substantial sums and management resources.

Patent law outside the United States may be different than in the United States. Further, the laws of some foreign countries may not protect our intellectual property rights to the same extent as the laws of the United States, if at all. A failure to obtain sufficient intellectual property protection in any foreign country could materially and adversely affect our business, results of operations and future prospects. Moreover, we may participate in opposition proceedings to determine the validity of our foreign patents or our competitors' foreign patents, which could result in substantial costs and divert management's resources and attention. Additionally, due to uncertainty in patent protection law, we have not filed applications in many countries where significant markets exist.

Risks Related to Our Operations in Israel

Our headquarters, manufacturing, assembly and other significant operations are located in Israel and, therefore, our business and operations may be adversely affected by political, economic and military conditions in Israel.

Our business and operations are located in Israel. Accordingly, our business will be directly influenced by the political, economic and military conditions affecting Israel at any given time. Since the establishment of the State of Israel in 1948, a number of armed conflicts have occurred between Israel and its neighboring countries. These conflicts involved missile strikes against civilian targets in various parts of Israel including most recently, central Israel, and negatively affected business conditions in Israel. In addition, Israel faces threats from more distant neighbors, in particular, Iran. A change in the security and political situation in Israel and in the economy could impede the raising of the funds required to finance our research and development plans and to create joint ventures with third parties and could otherwise have a material adverse effect on our business, operating results and financial condition.

Our facilities are in range of rockets that may be fired from Lebanon, Syria or the Gaza Strip into Israel. In the event that our facilities are damaged as a result of hostile action or hostilities otherwise disrupt the ongoing operation of our facilities, our research and development activities and our ability to deliver products to customers could be materially and adversely affected. Our commercial insurance does not cover losses that may occur as a result of an event associated with the security situation in the Middle East. Although the Israeli government is currently committed to covering the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, there can be no assurance 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, financial condition and results of operations.

In addition, popular uprisings in various countries in the Middle East and North Africa are affecting the political stability of those countries. Such instability may lead to deterioration in the political and trade relationships that exist between the State of Israel and these countries. Furthermore, some countries restrict doing business with Israel and Israeli companies, and additional countries may

impose restrictions on doing business with Israel and Israeli companies if hostilities involving Israeli or political instability in the region continue or intensify. Such restrictions may seriously limit our ability to sell Deep TMS to customers in those countries. These restrictions may materially limit our ability to sell our products to customers in those countries. In addition, there have been increased efforts by activists to cause companies and consumers to boycott Israeli products. Such efforts, particularly if they become more widespread, may materially and adversely impact our ability to sell our products.

Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners, or significant downturns in the economic or financial condition of could adversely affect our operations and product development, cause our revenues to decrease and adversely affect the share price of publicly traded companies having operations in Israel, such as us.

Exchange rate fluctuations between the U.S. dollar, the New Israeli Shekel and other foreign currencies may negatively affect our future revenues.

In the future, we expect that a substantial portion of our revenues will be generated in U.S. dollars, although we currently incur a significant portion of our expenses in currencies other than U.S. dollars, such as NIS. Our financial records are maintained, and will be maintained, in U.S. dollars, although many of our expenses are incurred in NIS. As a result, our financial results may be affected by fluctuations in the exchange rates of currencies in the countries in which Deep TMS may be sold.

Our operations may be affected by negative labor conditions in Israel.

Strikes and work-stoppages occur relatively frequently in Israel. If Israeli trade unions threaten additional strikes or work-stoppages and such strikes or work-stoppages occur, those may, if prolonged, have a material adverse effect on the Israeli economy and on our business, including our ability to deliver products to our customers and to receive raw materials from our suppliers in a timely manner.

Our operations could be disrupted as a result of the obligation of our personnel to perform military service.

A significant portion of our senior management and key employees reside in Israel and although most of them are no longer required to perform reserve duty, some may be required to perform annual military reserve duty and may be called for active duty under emergency circumstances at any time. Our operations could be disrupted by the absence for a significant period of time of one or more of these officers or key employees due to military service. Any such disruption could adversely affect our business, results of operations and financial condition.

The termination or reduction of tax and other incentives that the Israeli Government provides to domestic companies may increase the costs involved in operating a company in Israel.

The Israeli government currently provides tax and capital investment incentives to domestic companies, as well as grant and loan programs relating to research and development and marketing and export activities. In recent years, the Israeli Government has reduced the benefits available under these programs and the Israeli Governmental authorities have indicated that the government may in the future further reduce or eliminate the benefits of those programs. We may take advantage of these benefits and programs in the future, however, there is no assurance that such benefits and programs would continue to be available in the future to us. If such benefits and programs were terminated or further reduced, it could have an adverse effect on our business, operating results and financial condition.

The Israeli government grants that we have received require us to meet several conditions and may restrict our ability to manufacture our Deep TMS systems and transfer relevant know-how outside of Israel and require us to pay royalties and satisfy specified conditions, some of which are at present uncertain due to the enactment of a new regulatory framework.

We have received royalty-bearing grants from the government of Israel through the Israel Innovation Authority (IIA) formerly, the Office of the Chief Scientist of the Ministry of Economy and Industry, for the financing of a portion of our research and development expenditures in Israel. We are required to pay low single-digit royalties on the sale of those of our products developed with this funding, which payments shall not exceed, in the aggregate, the amount of the grant received (in U.S. dollars), plus interest at an annual rate based on LIBOR. When know-how is developed using IIA grants, the Encouragement of Research, Development and Technological Innovation in Industry Law 5744-1984, or the Innovation Law, the IIA's rules and guidelines as well as the terms of each of these grants, impose an obligation to pay royalties from any income deriving from a product developed, in whole or in part, directly or indirectly, in the framework of a research and development program funded by the IIA, including any derivatives and related services and restrict our ability to manufacture our products and transfer know-how developed as a result of the IIA's funded research and development outside of Israel. In certain cases, transfer of the IIA funded know-how outside of Israel requires pre-approval by the IIA, which may also impose certain conditions, including payment of a redemption fee calculated according to the formulas provided in the IIA's rules and guidelines, or Redemption Fee, which differentiate between certain situations (while in no event will the Redemption Fee be more than six (6) times the grants received from the IIA plus interest). In addition, our products may be manufactured outside of Israel by us or by another entity only if prior approval is received from the IIA (such approval is not required for the transfer of less than 10% of the manufacturing capacity in the aggregate), subject to payment of increased royalties, as defined under the IIA's rules and guidelines (the total amount shall not exceed, in the aggregate, 300% of the amount of the grant received (dollar linked), plus interest at annual rate based on LIBOR, depending on the manufacturing volume that is performed outside Israel less royalties already paid to the IIA).

The IIA has also published rules and guidelines with respect to the grant to a foreign entity of the right to use know-how that was developed using the IIA's grants, or Funded Know-How, (in a manner that does not entirely prevent the IIA funded company from using the Funded Know-How) which is subject to receipt of the IIA's prior approval. This approval is subject to payment to the IIA in accordance with the formulas stipulated in these rules.

In addition, we may transfer Funded Know-How to another Israeli company, provided that the acquiring company assumes all of our responsibilities toward the IIA (the transfer would still require IIA approval and is subject to the obligation to pay royalties to the IIA from the income of such sale transaction, but will not be subject to the payment of the Redemption Fee).

The obligation to comply with the IIA's rules and guidelines and the Innovation Law (including with respect to the restriction of the transfer of Funded Know-How and manufacturing rights outside of Israel) remains in effect even after full repayment of the amount of royalties payable pursuant to the grants. Once a Redemption Fee is paid on a transfer of Funded Know-How outside Israel, all obligations towards the IIA (including the royalty obligation) cease. We are also subject to reporting obligations towards the IIA including submitting during the R&D approved program period periodic reports pertaining to the progress of research and development, reports on income derived from products developed using grants from the IIA and in certain circumstances, reports regarding change in the holding and change in control. Furthermore, in the event of any change of control or any change in the holding of voting rights or rights to appoint directors or the CEO a result of which any non-Israeli citizen or non-Israeli resident becomes an "Interested Party" in our company, the non-Israeli citizen or non-Israeli resident shall comply with all the restrictions imposed on us and our obligations pursuant to Innovation Law and the IIA's rules and guidelines. See "Management—Internal Auditor" for definition

of Interested Party. In addition, the government of State of Israel may from time to time audit sales of products which it claims incorporate technology funded via IIA programs and this may lead to additional royalties being payable on additional product candidates. In addition, this offering and, under certain circumstances, further offerings of our shares to the public in any stock exchange whether in Israel or abroad, is subject to the approval of the IIA.

These restrictions may impair our ability to enter into agreements for IIA Funded Know-how without the approval of the IIA, and we cannot be certain that it will be obtained on terms that are acceptable to us, or at all. Furthermore, in the event that we undertake a transaction involving the transfer to a non-Israeli entity of know-how developed with IIA funding pursuant to a merger or similar transaction, or in the event we undertake a transaction involving the licensing of the IIA's Funded Know-How, the consideration available to our shareholders may be reduced by the amounts we are required to pay to the IIA. Any approval, if given, will generally be subject to additional financial obligations. Failure to comply with the requirements under the IIA's rules and guidelines and the Innovation Law may subject us to mandatory repayment of grants received by us (together with interest and penalties), as well as expose us to criminal proceedings.

In August 2015, a new amendment to the Innovation Law was enacted, or Amendment No. 7, which came into effect on January 1, 2016. Since Amendment No. 7 has entered into force, the IIA was appointed to act as the entity which is responsible for the activity which was previously under the OCS' responsibility. The IIA was granted wide freedom of action, and among other things, the authority to amend the requirements and restrictions which were specified in the Innovation Law before Amendment No. 7 became effective with respect to the ownership of Funded Know-How (including with respect to the restrictions on transfer of the Funded Know-How and manufacturing activities outside of Israel), as well as with respect to royalty payment obligations which apply to companies that receive grants from the IIA. Although the IIA's recently published rules which for the most part adopted the principal provisions and restrictions in effect in the Innovation Law prior to the effectiveness of Amendment No. 7, as of the date of this prospectus, we are unable to assess the effect on our business of any future rules which may be published by the IIA.

Enforcing a U.S. judgment against us and our current senior management and directors, or asserting U.S. securities law claims in Israel, may be difficult.

We are incorporated in Israel. Members of our current senior management and directors reside in Israel (and most of our assets reside outside of the United States). Therefore, a judgment obtained against us or any of these persons in the United States, including one based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the United States and may not be enforced by an Israeli court. It may also be difficult to effect service of process on these persons in the United States or to assert U.S. securities law claims in original actions instituted in Israel.

Even if an Israeli court agrees to hear such a claim, it may determine that Israeli, and not U.S., law is applicable to the claim. Under Israeli law, if U.S. law is found to be applicable to such a claim, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process, and certain matters of procedure would be governed by Israeli law. There is little binding case law in Israel addressing these matters. See "Enforceability of Civil Liabilities" for additional information on your ability to enforce civil claim against us and our senior management and directors.

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

Israeli corporate law regulates mergers, requires tender offers for acquisitions of shares above specified thresholds, requires special approvals for certain transactions involving directors, officers or

significant shareholders and regulates other matters that may be relevant to these types of transactions. These provisions of Israeli law may delay, prevent or make difficult an acquisition of us, which could prevent a change of control and therefore depress the price of our ordinary shares.

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

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

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

The government tax benefits that we currently are entitled to receive require us to meet several conditions and may be terminated or reduced in the future.

Some of our operations in Israel may entitle us to certain tax benefits under the Law for the Encouragement of Capital Investments, 5719-1959, or the Investment Law, once we begin to generate taxable income. If we do not meet the requirements for maintaining these benefits, they may be reduced or cancelled and the relevant operations would be subject to Israeli corporate tax at the standard rate, which is set at 23% in 2018 and thereafter. In addition to being subject to the standard corporate tax rate, we could be required to refund any tax benefits that we may receive in the future, plus interest and penalties thereon. Even if we continue to meet the relevant requirements, the tax benefits that our current "Technology Enterprise" is entitled to may not be continued in the future at their current levels or at all. If these tax benefits were reduced or eliminated, the amount of taxes that we pay would likely increase, as all of our operations would consequently be subject to corporate tax at the standard rate, which could adversely affect our results of operations. Additionally, if we increase our activities outside of Israel, for example, by way of acquisitions, our increased activities may not be eligible for inclusion in Israeli tax benefits programs. See "Material Tax Considerations—Israeli Tax Considerations and Government Programs—Tax Benefits Under the 2017 Amendment" for additional information concerning these tax benefits.

Your rights and responsibilities as a shareholder will be governed by Israeli law, which differs in some material respects from the rights and responsibilities of shareholders of U.S. companies.

The rights and responsibilities of the holders of our ordinary shares are governed by our articles of association and by Israeli law. These rights and responsibilities differ in some material respects from the rights and responsibilities of shareholders in U.S. corporations. For example, a shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising its rights and performing its obligations towards the company and other shareholders, and to refrain from abusing its power in the company, including, among other things, voting at a general meeting of shareholders on matters such as amendments to a company's articles of association, increases in a company's authorized share capital, mergers and acquisitions and related party transactions requiring shareholder approval. In addition, a shareholder who is aware that it possesses the power to determine the outcome of a shareholder vote or to appoint or prevent the appointment of a director or executive officer in the company has a duty of fairness toward the company. There is limited case law available to assist us in understanding the nature of these duties or the implications of these provisions. These provisions may be interpreted to impose additional obligations and liabilities on holders of our ordinary shares that are not typically imposed on shareholders of U.S. corporations.

Risks Related to the Offering and Our Ordinary Shares

The price of our ordinary shares may be volatile and may fluctuate due to factors beyond our control.

The share price of publicly traded medical device companies has been highly volatile and is likely to remain highly volatile in the future. The market price of our ordinary shares on either Nasdaq or the TASE may fluctuate significantly due to a variety of factors, including:

- positive or negative results of testing and clinical trials by us, strategic partners and competitors;
- delays in entering into strategic relationships with respect to development and/or commercialization of Deep TMS or entry into strategic relationships on terms that are not deemed to be favorable to us;
- technological innovations or commercial product introductions by us or competitors;
- changes in government regulations;

- developments concerning proprietary rights, including patents and litigation matters;
- public concern relating to the commercial value or safety of Deep TMS;
- financing or other corporate transactions;
- publication of research reports or comments by securities or industry analysts;
- general market conditions in the medical device industry or in the economy as a whole; or
- other events and factors, many of which are beyond our control.

These and other market and industry factors may cause the market price and demand for our ordinary shares to fluctuate substantially, regardless of our actual operating performance, which may limit or prevent investors from readily selling their ordinary shares and may otherwise negatively affect the liquidity of our ordinary shares. In addition, stock markets in general, and medical device companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies.

You will experience immediate and substantial dilution in the net tangible book value of the ordinary shares you purchase in this offering.

As September 30, 2018, we had 16,640,446 ordinary shares issued and outstanding, and after this offering, there will be ordinary shares issued and outstanding. The initial public offering price of our ordinary shares will substantially exceed the net tangible book value per share of our ordinary shares immediately after this offering. As a result, you will experience immediate and substantial dilution of approximately $ per share (assuming no exercise by the underwriters of the over-allotment option), representing the difference between our net tangible book value per share as of , 2018 after giving effect to this offering and after deducting the underwriting discounts, commissions and estimated offering expenses payable by us. As a result of this dilution, as of , 2018, investors purchasing ordinary shares from us in this offering will have contributed % of the total amount of our total gross funding to date but will own only % of our equity.

As of September 30, 2018, we had outstanding 1,350,059 ordinary shares issuable upon the exercise of options, and after September 30, 2018, we issued options to purchase an additional 1,008,000 ordinary shares under our Share Incentive Plan. We have reserved for future issuance under the Share Incentive Plan options to purchase an additional 1,286,308 ordinary shares. In addition, our credit facility lender, Mizrahi Tefahot Bank, has an outstanding warrant to purchase 59,761 shares of our ordinary shares, with an exercise price with an exercise price of $5.02 per share and expiry date of October 8, 2022. If outstanding options to purchase our ordinary shares are exercised in the future, additional options are granted under our Share Incentive Plan, or Mizrhai Tefahot Bank exercises its warrant, you will experience additional dilution. See "Dilution" for a more complete description of how the value of your investment in our ordinary shares will be diluted upon the consummation of this offering and may be diluted in the future.

There has been no prior public market in the United States for our ordinary shares, and an active trading market in the United States may not develop.

Prior to this offering, there has been no public market in the United States for our ordinary shares. An active trading market in the United States may not develop following 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 by selling shares and may impair our ability to acquire other companies by using our shares as consideration.

The market price of our ordinary shares could be negatively affected by future sales of our ordinary shares on either Nasdaq or the TASE.

Future sales by us or our shareholders of a substantial number of our ordinary shares in the public market following this offering, or the perception that these sales might occur, could cause the market price of our ordinary shares to decline or could impair our ability to raise capital through a future sale of, or pay for acquisitions using, our equity securities. Of our issued and outstanding shares, all of the ordinary shares sold in this offering will be freely transferable, except for any shares held by our "affiliates," as that term is defined in Rule 144 under the Securities Act.

Upon the closing of this offering, approximately % of our outstanding ordinary shares will be beneficially owned by shareholders that have agreed with the underwriters that, subject to limited exceptions, for a period of 180 days after the date of this prospectus, they will not directly or indirectly offer, pledge, sell, contract to sell, sell any option or contract to purchase or otherwise dispose of any ordinary shares or any securities convertible into or exercisable or exchangeable for ordinary shares, or in any manner transfer all or a portion of the economic consequences associated with the ownership of ordinary shares, or cause a registration statement covering any ordinary shares to be filed, without the prior written consent of the lead underwriters, which may, at any time without notice, release all or any portion of the shares subject to the corresponding lock-up agreements. After the expiration of the lock-up period, these shares can be resold into the public markets in accordance with the requirements of Rule 144, subject to certain volume limitations.

In addition, we intend to file one or more registration statements on Form S-8 with the Securities and Exchange Commission, or the SEC, covering all of the ordinary shares issuable under our Share Incentive Plan or any other equity incentive plans that we may adopt, and such shares will be freely transferable, except for any shares held by "affiliates," as such term is defined in Rule 144 under the Securities Act. The market price of our ordinary shares may drop significantly when the restrictions on resale by our existing shareholders lapse and these shareholders are able to sell our ordinary shares into the market.

Upon the filing of the registration statements and following the expiration of the lock-up restrictions described above, the number of ordinary shares that are potentially available for sale in the open market will increase materially, which could make it harder for the value of our ordinary shares to appreciate unless there is a corresponding increase in demand for our ordinary shares. This increase in available shares could result in the value of your investment in our ordinary shares decreasing.

In addition, the exercise of outstanding or future options or warrants, or a sale by us of additional ordinary shares or similar securities in order to raise capital, might have a similar negative impact on the share price of our ordinary shares. A decline in the price of our ordinary shares might impede our ability to raise capital through the issuance of additional ordinary shares or other equity securities, and may cause you to lose part or all of your investment in our ordinary shares.

Our ordinary shares will be traded on different markets and this may result in price variations.

Our ordinary shares have been traded on the TASE since January 4, 2007 and in conjunction with this offering, we intend to apply to list on the Nasdaq Global Market. Trading in our securities on these markets takes place in different currencies (dollars on the Nasdaq and NIS on the TASE), and at different times (resulting from different time zones, different trading days and different public holidays in the United States and Israel). The trading prices of our securities on these two markets may differ due to these and other factors. Any decrease in the price of our securities on one of these markets could cause a decrease in the trading price of our securities on the other market.

We have broad discretion as to the use of the net proceeds from this offering and may not use them effectively.

We intend to use the net proceeds from this offering for working capital and general corporate purposes, including for our sales and marketing, to fund our clinical trials and research and development and to repay the outstanding balance of the borrowings under our credit facility. For more information, see "Use of Proceeds." However, our management will have broad discretion in the application of the net proceeds. Our shareholders may not agree with the manner in which our management chooses to allocate the net proceeds from this offering. The failure by our management to apply these funds effectively could have a material adverse effect on our business, financial condition and results of operation. Pending their use, we may invest the net proceeds from this offering in a manner that does not produce income.

We do not intend to pay dividends on our ordinary shares for at least the next several years following this offering.

We do not anticipate paying any cash dividends on our ordinary shares for at least the next several years following this offering. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. As a result, capital appreciation, if any, of our ordinary shares will be the investors' sole source of gain for at least the next several years. In addition, Israeli law limits our ability to declare and pay dividends, and may subject us to certain Israeli taxes. For more information, see "Dividend Policy."

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

The trading market for our ordinary shares will rely in part on the research and reports that equity research analysts publish about us and our business. The price of our ordinary shares could decline if one or more securities analysts downgrade our ordinary shares or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business.

We may be subject to securities litigation, which is expensive and could divert our management's attention.

In the past, U.S.-listed companies that have experienced volatility in the market price of their securities, including many life sciences and biotechnology companies, have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Regardless of the merits or the ultimate results of such litigation, securities litigation brought against us could result in substantial costs and divert our management's attention from other business concerns, which could have a material adverse effect on our results of operations.

As a foreign private issuer whose shares are listed on the Nasdaq Global Market, we intend to follow certain home country corporate governance practices instead of certain Nasdaq requirements.

As a foreign private issuer whose shares will be listed on The Nasdaq Global Market, we are permitted to follow certain home country corporate governance practices instead of certain requirements of the rules of The Nasdaq Global Market. Pursuant to the "foreign private issuer exemption":

- we intend to establish a quorum requirement such that the quorum for any meeting of shareholders is two or more shareholders holding at least $33^{1}/_{3}\%$ of our voting rights, which complies with Nasdaq requirements; however, if the meeting is adjourned for lack of quorum, the quorum for such adjourned meeting will be any number of shareholders, instead of $33^{1}/_{3}\%$ of our voting rights;

- we also intend to follow Israeli corporate governance practice in lieu of Nasdaq Marketplace Rule 5635(c), which requires shareholder approval for certain dilutive events (such as issuances that will result in a change of control, certain transactions other than a public offering involving issuances of a 20% or greater interest in us and certain acquisitions of the shares or assets of another company) and prior to an issuance of securities when a stock option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, directors, employees or consultants. By contrast, under the Israeli Companies Law, shareholder approval is required (subject to certain limited exceptions) for, among other things: (a) transactions with directors concerning the terms of their service (including indemnification, exemption, and insurance for their service or for any other position that they may hold at a company); (b) extraordinary transactions with controlling shareholders of publicly held companies; (c) terms of office and employment or other engagement of our controlling shareholder, if any, or such controlling shareholder's relative; (d) approval of transactions with the company's Chief Executive Officer with respect to his or her compensation, whether in accordance with the approved compensation policy of the company or not, or transactions with officers of the company not in accordance with the approved compensation policy; (e) approval of the compensation policy of the company for office holders and (f) certain private placements involving the issuance of 20% or more of our total voting rights, or private placements as a result of which a person will become a controlling shareholder of the company. In addition, under the Companies Law, a merger requires approval of the shareholders of each of the merging companies; and

- as permitted by the Israeli Companies Law, our board of directors selects director nominees. Directors are not selected, or recommended for board of director selection, by independent directors constituting a majority of the board's independent directors or by a nominations committee comprised solely of independent directors as required by the Nasdaq Listing Rules.

Otherwise, we intend to comply with the rules generally applicable to U.S. domestic companies listed on the Nasdaq Global Market. However, we may in the future decide to use the foreign private issuer exemption with respect to some or all of the other Nasdaq corporate governance rules. Following our home country governance practices as opposed to the requirements that would otherwise apply to a U.S. company listed on the Nasdaq Global Market may provide less protection than is accorded to investors of domestic issuers. See "Management—Foreign Private Issuer and Controlled Company Status."

In addition, as a foreign private issuer, we will be exempt from the rules and regulations under the United States Securities Exchange Act of 1934, as amended, or the Exchange Act, related to the furnishing and content of proxy statements (including disclosures with respect to executive compensation), and our officers, directors, and principal shareholders will be exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as domestic companies whose securities are registered under the Exchange Act.

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

We are a foreign private issuer and therefore we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act applicable to U.S. domestic issuers. In order to maintain our current status as a foreign private issuer, either (a) a majority of our ordinary shares must be either directly or indirectly owned of record by non-residents of the United States or (b)(i) a majority of our senior management or directors may not be U.S. citizens or residents, (ii) more than 50 percent of our assets cannot be located in the United States and (iii) our business

must be administered principally outside the United States. If we were to lose this status, we would be required to comply with the Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers. We may also be required to make changes in our corporate governance practices in accordance with various SEC and Nasdaq rules. The regulatory and compliance costs to us under U.S. securities laws if we are required to comply with the reporting requirements applicable to a U.S. domestic issuer may be significantly higher than the cost we would incur as a foreign private issuer. As a result, we expect that a loss of foreign private issuer status would increase our legal and financial compliance costs and would make some activities highly time consuming and costly. We also expect that if we were required to comply with the rules and regulations applicable to U.S. domestic issuers, it would make it more difficult and expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified members of our board of directors.

We will incur increased costs as a result of operating as a public company in the United States, and our management will be required to devote substantial time to new compliance initiatives.

As a public company whose ordinary shares are listed in the United States, and particularly after we no longer qualify as an emerging growth company, we will incur accounting, legal and other expenses that we did not incur prior to our listing on Nasdaq and registration with the SEC, including costs associated with our reporting requirements under the Exchange Act. We also anticipate that we will incur costs associated with corporate governance requirements, including requirements under Section 404 and other provisions of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley Act), as well as rules implemented by the SEC and the Nasdaq Global Market, and provisions of Israeli corporate law applicable to public companies and the rules of the TASE. We expect that these rules and regulations will increase our legal and financial compliance costs, introduce new costs such as investor relations and stock exchange listing fees, and will make some activities more time-consuming and costly. Our board and other personnel will need to devote a substantial amount of time to these initiatives. We are currently evaluating and monitoring developments with respect to these rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

Any future changes in the laws and regulations affecting public companies in the United States and Israel, including Section 404 and other provisions of the Sarbanes-Oxley Act, the rules and regulations adopted by the SEC and the rules of the Nasdaq, as well as compliance with the applicable full Israeli reporting requirements which currently apply to us as a company listed on the TASE (for so long as they apply to us, pending shareholder approval by special majority of a change to our TASE reporting requirements to allow us to report to the TASE in the same manner in which we report to the SEC), will result in increased costs to us as we respond to such changes.

As an "emerging growth company," as defined in the JOBS Act, we may take advantage of certain temporary exemptions from various reporting requirements, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act (and the rules and regulations of the SEC thereunder). When these exemptions cease to apply, we expect to incur additional expenses and devote increased management effort toward ensuring compliance with them. 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.

Pursuant to Section 404 of the Sarbanes-Oxley Act and the related rules adopted by the SEC and the Public Company Accounting Oversight Board, starting with the second annual report that we file with the SEC after the closing of this offering, our management will be required to report on the effectiveness of our internal control over financial reporting. In addition, once we no longer qualify as an "emerging growth company" under the JOBS Act and lose the ability to rely on the exemptions

related thereto discussed above and depending on our status as per Rule 12b-2 of the Exchange Act, our independent registered public accounting firm may also need to attest to the effectiveness of our internal control over financial reporting under Section 404. We have not yet commenced the process of determining whether our existing internal controls over financial reporting systems are compliant with Section 404 and whether there are any material weaknesses or significant deficiencies in our existing internal controls. This process will require the investment of substantial time and resources, including by our chief financial officer and other members of our senior management. As a result, this process may divert internal resources and take a significant amount of time and effort to complete. In addition, we cannot predict the outcome of this determination and whether we will need to implement remedial actions in order to implement effective controls over financial reporting. The determination and any remedial actions required could result in us incurring additional costs that we did not anticipate, including the hiring of outside consultants. Irrespective of compliance with Section 404 of the Sarbanes-Oxley Act, any failure of our internal controls could have a material adverse effect on our stated results of operations and harm our reputation. As a result, we may experience higher than anticipated operating expenses, as well as higher independent auditor fees during and after the implementation of these changes. If we are unable to implement any of the required changes to our internal control over financial reporting effectively or efficiently or are required to do so earlier than anticipated, it could adversely affect our operations, financial reporting and/or results of operations and could result in an adverse opinion on internal controls from our independent auditors.

Changes in the laws and regulations affecting public companies will result in increased costs to us as we respond to their requirements. These laws and regulations could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as senior management. We cannot predict or estimate the amount or timing of additional costs we may incur in order to comply with such requirements.

We are an "emerging growth company" and the reduced disclosure requirements applicable to emerging growth companies may make our ordinary shares less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we may take advantage of certain exemptions from various requirements that are applicable to other public companies that are not "emerging growth companies." Most of such requirements relate to disclosures that we would only be required to make if we also ceased to be a foreign private issuer in the future, for example, the requirement to hold shareholder advisory votes on executive and severance compensation and executive compensation disclosure requirements for U.S. companies. However, as a foreign private issuer, we could still be required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. We are exempt from such requirement for as long as we remain an emerging growth company, which may be up to five fiscal years after the date of this offering. We will remain an emerging growth company until the earliest of: (a) the last day of our fiscal year during which we have total annual gross revenues of at least $1.07 billion; (b) the last day of our fiscal year following the fifth anniversary of the closing of this offering; (c) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt; or (d) the date on which we are deemed to be a "large accelerated filer" under the Exchange Act. We may choose to take advantage of some or all of the available exemptions. When we are no longer deemed to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above. We cannot predict if investors will find our ordinary shares less attractive as a result of our reliance on exemptions under the JOBS Act. If some investors find our ordinary shares less attractive as a result, there may be a less active trading market for our ordinary shares and our share price may be more volatile.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our ordinary shares.

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

Our management will be required to assess the effectiveness of our internal controls and procedures and disclose changes in these controls on an annual basis. However, for as long as we are an "emerging growth company" under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404. We could be an "emerging growth company" for up to five years. An independent assessment of the effectiveness of our internal controls could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation.

Risks Related to Tax Matters

We may be a passive foreign investment company for U.S. federal income tax purposes, which generally would result in certain adverse U.S. federal income tax consequences to our U.S. shareholders.

In general, a non-U.S. corporation is a "passive foreign investment company" (a PFIC) for any taxable year in which (i) 75% or more of its gross income consists of passive income (the "income test") or (ii) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income (the "asset test"). Generally, "passive income" includes interest, dividends, rents, royalties and certain gains, and cash (including cash raised in this offering) is a passive asset for PFIC purposes. We do not believe that we are currently a PFIC, and we do not anticipate becoming a PFIC in the foreseeable future. Notwithstanding the foregoing, the determination of whether we are a PFIC depends on the particular facts and circumstances (such as the valuation of our assets, including goodwill and other intangible assets) and also may be affected by the application of the PFIC rules, which are subject to differing interpretations. The fair market value of our assets is expected to depend, in part, upon (i) the market price of our ordinary shares, which is likely to fluctuate, and (ii) the composition of our income and assets, which will be affected by how, and how quickly, we spend any cash that is raised in any financing transaction, including this offering. If we were a PFIC for any taxable year during which a U.S. shareholder owned our ordinary shares, such U.S. shareholder generally will be subject to certain adverse U.S. federal income tax consequences, including increased tax liability on gains from dispositions of the ordinary shares and certain distributions and a requirement to file annual reports with the Internal Revenue Service. In light of the foregoing, no assurance can be provided that we are not currently a PFIC or that we will not become a PFIC in any future taxable year. Prospective investors should consult their own tax advisers regarding our PFIC status. See "Material Tax Considerations—Certain U.S. Federal Income Tax Considerations—Passive Foreign Investment Company Considerations."

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- the adequacy of our existing capital and the net proceeds of this offering to meet our future capital requirements;
- market perception and acceptance of Deep TMS technology;
- physician and patient satisfaction with the effectiveness and competitive advantages and benefits of our Deep TMS system;
- availability of reimbursement from third-party payers, including insurance companies and Medicare;
- our ability to commercialize Deep TMS, including internationally, by ourselves or through third-party distributors;
- our ability to develop enhancements to our Deep TMS system through our research and development efforts;
- our reliance on third parties to conduct our clinical trials and manufacture our product candidates for clinical testing;
- our ability to complete and obtain favorable results from existing clinical trials, and to launch new clinical trials, for Deep TMS indications;
- our ability to obtain regulatory approvals of Deep TMS and enhancements to our Deep TMS system on our anticipated time frames, or at all;
- our ability to comply with applicable regulatory approvals and requirements; and
- our ability to obtain and maintain adequate protection of our intellectual property, including intellectual property licensed to us.

You should review carefully the risks and uncertainties described under the heading "Risk Factors" in this prospectus for a discussion of these and other risks that relate to our business and investing in our ordinary shares. The forward-looking statements contained in this prospectus are expressly qualified in their entirety by this cautionary statement. Except as required by law, we undertake no obligation to update publicly any forward-looking statements after the date of this prospectus to conform these statements to actual results or to changes in our expectations.

PRICE HISTORY OF OUR ORDINARY SHARES

Our ordinary shares have been trading on the TASE since January 2007 under the symbol "BRIN." We intend to apply to list our ordinary shares on the Nasdaq Global Market under the proposed symbol "BWAY."

The following table sets forth, for the periods indicated, the reported high and low closing prices of our ordinary shares on the TASE in NIS and U.S. dollars. U.S. dollar per ordinary share amounts are calculated using the U.S. dollar representative rate of exchange on the date to which the high or low market price is applicable, as reported by the Bank of Israel.

	NIS Price Per Ordinary Share		U.S.$ Price Per Ordinary Share	
	High	Low	High	Low
Annual:				
2018 (through November 15, 2018)	27.50	15.55	7.68	4.33
2017	21.31	15.78	5.69	4.37
2016	24.36	12.00	6.24	3.11
2015	37.51	21.00	9.47	5.39
2014	62.70	29.97	17.97	7.67
2013	71.99	27.81	19.48	7.49
Quarterly:				
Fourth Quarter 2018 (through November 15, 2018)	26.54	22.15	7.27	6.00
Third Quarter 2018	27.50	17.18	7.68	4.66
Second Quarter 2018	18.78	15.55	5.25	4.33
First Quarter 2018	20.31	16.83	5.93	4.82
Fourth Quarter 2017	19.50	16.27	5.55	4.62
Third Quarter 2017	19.30	15.78	5.44	4.48
Second Quarter 2017	20.14	15.96	5.69	4.37
First Quarter 2017	21.31	16.37	5.69	4.37
Fourth Quarter 2016	18.65	15.51	4.84	4.10
Third Quarter 2016	19.19	12.54	5.10	3.26
Second Quarter 2016	18.36	12.00	4.85	3.11
First Quarter 2016	24.36	16.18	6.24	4.23
Most Recent Six Months:				
November 2018 (through November 15, 2018)	25.03	22.15	6.81	6.00
October 2018	26.54	22.68	7.27	6.12
September 2018	27.50	23.92	7.68	6.62
August 2018	25.10	17.18	6.90	4.66
July 2018	18.82	17.77	5.15	4.87
June 2018	18.78	17.76	5.25	4.87
May 2018	18.44	15.97	5.17	4.41

USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately $ million, or approximately $ million if the underwriters exercise in full their option to purchase additional ordinary shares, based upon the initial public offering price of $ per ordinary share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds from this offering for working capital and general corporate purposes, including for our sales and marketing, to fund our clinical trials and research and development and to repay the outstanding balance of the borrowings under our credit facility. Specifically, we intend to use net proceeds as follows:

- $ million to $ million for sales and marketing;
- $ million to $ million for clinical trials and other research and development;
- $ million to repay the outstanding balance of our borrowings under our credit facility; and
- the remainder for working capital and general corporate purposes.

Our expected use of net proceeds from this offering represents our current intentions based upon our present plans and business condition, which could change in the future as our plans and business conditions evolve. As of the date of this prospectus, we cannot predict with certainty any or all of the particular uses for the net proceeds to be received upon the closing of this offering, or the amounts, if any, that we will actually spend on the uses set forth above. The amounts and timing of our actual use of the net proceeds will vary depending on numerous factors, including our ability to successfully commercialize Deep TMS, our ability to continue development of our pre-clinical and clinical development trials, and timing of FDA clearance for additional indications for Deep TMS. As a result, our management will have broad discretion in the application of the net proceeds, which may include uses not set forth above, and investors will be relying on our judgment regarding the application of the net proceeds from this offering. The timing and amount of our actual expenditures will be based on many factors, including cash flows from operations and the anticipated growth of our business.

Pending their use, we plan to invest the net proceeds from this offering in short and intermediate-term, interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government or to hold such proceeds as cash. We cannot predict whether these investments will yield a favorable return.

We believe that the net proceeds of this offering, together with our existing cash resources, will be sufficient to enable us to fund our operating expenses and capital expenditure requirements for at least the next 24 months.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our ordinary shares and we anticipate that, for the foreseeable future, we intend to retain any future earnings to support operations and to finance the growth and development of our business. Accordingly, we do not expect to pay cash dividends in the foreseeable future.

The distribution of dividends may also be limited by the Israeli Companies Law, which permits the distribution of dividends only out of retained earnings or earnings derived over the two most recent fiscal years, whichever is higher, provided that there is no reasonable concern that payment of a dividend will prevent us from satisfying our existing and foreseeable obligations as they become due. Our articles of association provide that dividends will be paid at the discretion of, and upon resolution by, our board of directors, subject to the provisions of the Israeli Companies Law.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2018, on:

- an actual basis;
- an as adjusted basis, to give further effect to the issuance and sale of ordinary shares in this offering at an assumed initial public offering price of $ per ordinary share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

You should read this table in conjunction with our financial statements and related notes included elsewhere in this prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of September 30, 2018	
(In thousands, except share data)	**Actual**	**As Adjusted**
Cash and cash equivalents	$ 9,502	$
Loan from bank—long-term	2,431	
Equity:		
Ordinary shares—share capital of NIS 0.04 par value per share; 25,000,000 shares authorized and 16,640,446 shares issued and outstanding, actual; shares authorized and issued and outstanding, as adjusted	171	
Share premium	67,193	
Share-based payment	3,108	
Adjustments arising from translating financial statements from functional currency to presentation currency	(2,188)	
Accumulated deficit	(59,432)	
Total equity	8,852	
Total capitalization	$ 11,283	$

The preceding table excludes (i) 1,350,059 ordinary shares issuable upon the exercise of options outstanding as of September 30, 2018, at a weighted average exercise price of $7.32 per ordinary share; (ii) 1,008,000 ordinary shares issuable upon the exercise of options issued under our Share Incentive Plan after September 30, 2018, at a weighted average exercise price of $6.46 per ordinary share; (iii) an additional 1,286,308 ordinary shares reserved for future issuance pursuant to the exercise of options under our Share Incentive Plan; and (iv) an additional 59,761 ordinary shares for future issuance pursuant to the exercise of a warrant to purchase our ordinary shares, with an exercise price of $5.02 per share, held by Mizrahi Tefahot Bank. In addition, this table does not give effect to the increase of our authorized share capital as contemplated in connection with this offering. See "Description of Share Capital".

DILUTION

If you invest in our ordinary shares in this offering, your ownership interest will be immediately diluted to the extent of the difference between the assumed initial public offering price per share and the net tangible book value per ordinary share after this offering. Our net tangible book value as of , 2018, was $ million, or $ per ordinary share. Net tangible book value per ordinary share was calculated by:

- subtracting our liabilities from our tangible assets; and
- dividing the difference by the number of ordinary shares outstanding.

After giving further effect to the issuance and sale of ordinary shares in this offering at an assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our as adjusted net tangible book value on , 2018 would have been approximately $ million, or $ per ordinary share. This represents an immediate dilution in the as adjusted net tangible book value of $ per ordinary share to investors purchasing our ordinary shares in this offering.

The following table illustrates the immediate dilution to new investors:

Initial public offering price per ordinary share	
Historical net tangible book value per ordinary share as of , 2018	$
Increase in pro forma net tangible book value per ordinary share attributable to the offering	
As adjusted net tangible book value per share after this offering	
Dilution per ordinary share to new investors	$
Percentage of dilution per ordinary share to new investors	%

A $1.00 increase (decrease) in the assumed initial public offering price per share would increase (decrease) our as adjusted net tangible book value after giving effect to the offering by $ million, the as adjusted net tangible book value per share after giving effect to this offering by $ per share and the dilution in as adjusted net tangible book value per share to new investors in this offering by $ per share, assuming no exercise of the underwriters' option to purchase additional ordinary shares, and after deducting the underwriting discounts, commissions and estimated offering expenses payable by us. The as adjusted information discussed above is illustrative only. Our net tangible book value following the consummation of this offering is subject to adjustment based on the actual initial public offering price of our ordinary shares and other terms of this offering determined at pricing.

If the underwriters' option to purchase additional shares from us is exercised in full, and based on an assumed initial public offering price of $ per ordinary share, which is the midpoint of the price range set forth on the cover page of this prospectus, the as adjusted net tangible book value would be $ per ordinary share and the dilution per ordinary share to new investors in this offering would be $, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The table below summarizes, on a pro forma basis as of , 2018, the differences for our existing shareholders and new investors in this offering, with respect to the number of ordinary shares

purchased from us, the total consideration paid and the average price per ordinary share paid before deducting fees and offering expenses.

	Shares purchased		Total consideration		Average price per share
	Number	%	Amount	%	
Existing shareholders			$		$
New investors					
Total			$		$

The table and discussion above excludes (i) ordinary shares issuable upon the exercise of options to purchase ordinary shares outstanding under our Share Incentive Plan as of , 2018, at a weighted average exercise price of $ per ordinary share; and (ii) an additional ordinary shares reserved for future issuance under our Share Incentive Plan.

To the extent any additional options are issued under our Share Incentive Plan, or we issue additional ordinary shares in the future, there will be further dilution to investors participating in this offering. In addition, we may choose to raise additional capital because of market conditions or strategic considerations, even if we believe that we have sufficient funds for our current or future operating plans. If we raise additional capital through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our shareholders.

SELECTED FINANCIAL DATA

The following table sets forth our selected historical financial data, which is derived from our audited financial statements, which have been prepared in accordance with the IFRS. The selected balance sheet data as of December 31, 2016 and 2017 and our selected statements of comprehensive loss data for the years ended December 31, 2016 and 2017 were derived from our audited financial statements included elsewhere in this prospectus. The selected statements of comprehensive loss for the nine months ended September 30, 2017 and 2018 and the selected balance sheet data as of September 30, 2018 have been derived from our unaudited financial statements included elsewhere in this prospectus and have been prepared on the same basis as the audited financial statements. In the opinion of management, the unaudited data reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the financial information in those statements. Our historical results are not necessarily indicative of the results that should be expected in the future, and results for the nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for the full year ending December 31, 2018 or any other future period. You should read this selected financial data in conjunction with, and it is qualified in its entirety by, reference to our historical financial information and other information provided in this prospectus including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included elsewhere in this prospectus.

(In thousands, other than share and share data)	Year Ended December 31,		Nine Months Ended September 30,	
	2016	2017	2017 (Unaudited)	2018 (Unaudited)
Statement of Operations Data:				
Revenues	$ 11,524	$ 11,145	$ 7,453	$ 11,625
Cost of revenues	2,427	2,595	1,684	2,484
Gross profit	9,097	8,550	5,859	9,141
Research and development expenses, net	3,792	5,343	3,836	4,334
Selling and marketing expenses	5,180	6,331	4,571	5,816
General and administrative expenses	2,194	3,487	1,988	2,353
Total operating expenses	11,166	15,161	10,395	12,503
Total operating loss	2,069	6,611	4,536	3,362
Financial expenses (income), net	328	274	(311)	834
Loss before income taxes	2,397	6,885	4,225	4,196
Income taxes	—	169	42	134
Net loss	2,397	7,054	4,267	4,330
Basic and diluted net loss per share(1)	(0.17)	(0.48)	(0.29)	(0.25)
Weighted average number of ordinary shares outstanding—basic and diluted	14,507	14,768	14,716	16,640

(1) Basic net loss per ordinary share and diluted net loss per ordinary share are the same because outstanding options would be anti-dilutive due to our net losses in these periods.

(In thousands)	As of December 31, 2017	As of September 30, 2018 (Unaudited)
Balance Sheet Data:		
Cash, cash equivalents and short-term deposits	$ 14,559	$ 10,620
Total assets	27,030	23,260
Total liabilities	14,309	14,408
Accumulated deficit	(55,102)	(59,432)
Total equity	12,721	8,852

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

The following discussion and analysis should be read in conjunction with our financial statements and related notes included elsewhere in this prospectus. This discussion and other parts of the prospectus contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those set forth under "Risk Factors" and elsewhere in this prospectus. See "Special Note Regarding Forward-Looking Statements."

Overview

We are a commercial stage medical device company focused on the development and sale of non-invasive neuromodulation products using our proprietary Deep Transcranial Magnetic Stimulation (Deep TMS), technology for the treatment of major depressive disorder (MDD) and obsessive-compulsive disorder (OCD), for which we have received marketing authorization from the U.S. Food and Drug Administration (FDA). Deep TMS uses magnetic pulses to stimulate neurons and consequently modulates the physiological activity of the brain.

Our first commercial Deep TMS product received clearance from the FDA in 2013 for the treatment of MDD in adult patients who have failed to achieve satisfactory improvement from anti-depressant medication in the current episode. Our Deep TMS system for MDD is currently marketed to and installed at psychiatrists' offices and other facilities principally in the United States and in certain other countries throughout the world. In addition, our second Deep TMS system received FDA marketing authorization in August 2018 as an adjunct therapy for adult patients suffering from OCD, and we have commenced sales and marketing efforts for that indication. Our sales and marketing efforts are currently focused in the United States, where we generated approximately 90% and 87% of our revenues in the year ended December 31, 2017 and in the nine months ended September 30, 2018, respectively.

We believe that Deep TMS represents a platform technology that provides for an opportunity to develop additional Deep TMS products for a variety of psychiatric, neurological and addiction disorders. We are currently conducting multicenter clinical trials to support FDA clearance of Deep TMS for smoking cessation and PTSD. We are also planning multicenter trials for other indications, including opioid addiction and multiple sclerosis (MS), the latter of which is first neurological indication that we plan to advance into a multicenter trial.

Our current customers are principally doctors, hospitals and medical centers in the field of psychiatry. Treatment with Deep TMS is typically performed as an office-based procedure using our Deep TMS system, which consists of our proprietary H-Coil helmet, as well as several other components, including a stimulator, cooling system, positioning arm and an operator interface. A course of treatment for MDD typically requires 20 treatment sessions over a period of four weeks, and thereafter up to 24 additional maintenance sessions over a period of up to 12 weeks. The standard Deep TMS treatment protocol for OCD requires 29 treatment sessions over six weeks. A standard MDD or OCD session lasts 20 and 19 minutes, respectively. The treatment requires no anesthesia, hospitalization or sedation and no systemic side effects have been reported.

In the United States, we sell or lease Deep TMS systems by one of the following methods: (i) a fixed-fee lease model in which the Deep TMS system is leased to a customer for a fixed annual fee, with a term of three to five years, for unlimited use; (ii) a risk share model (variable fees) in which the Deep TMS system is leased to a customer which pays fees based on the higher of: fees per treatment (i.e., usage based fees) or an annual minimum fee as stated in the contract, minimum amount; and (iii) a sales model in which the Deep TMS system is sold to the customer for a fixed purchase price, with additional potential revenue from annual warranty paid for the system for each year subsequent to

the expiration of the standard warranty for the first year. These three models are designed to facilitate market penetration by addressing the differing clinical needs and risk tolerance among our customer base. For the nine months ended September 30, 2018, approximately 60% of our Deep TMS systems installed base for MDD utilized the fixed-fee lease model, approximately 30% utilized the sales model and approximately 10% utilized our risk share model. We have started, and expect to continue, to commercialize Deep TMS for OCD based solely on the risk share model, which charges per session and per treatment, in an effort to achieve greater market acceptance for that indication.

For the nine months ended September 30, 2018, our revenues were $11.6 million compared to $7.5 million for the nine months ended September 30, 2017, representing an increase of 54% over the revenues generated for the equivalent period in 2017. We incurred net losses of $7.1 million and $4.3 million for the year ended December 31, 2017 and the nine months ended September 30, 2018, respectively.

As of September 30, 2018, our total committed payments under signed lease contracts was approximately $33.7 million, assuming no exercise of any early termination options, representing an increase of $4.4 million from our total committed payments as of June 30, 2018 of approximately $29.3 million. See "Key Business Metrics—Committed Payments."

As of September 30, 2018, we had an accumulated deficit of $59.4 million. Our primary sources of capital to date have been from public offerings in Israel and private placements of our securities, grants from the Israel Innovation Authority (IIA), borrowings under our credit facilities, and the lease and sale of our products.

We expect our research, development and clinical trials expenses to increase in connection with our ongoing activities, particularly as we continue the research, development and clinical trials of Deep TMS to support future FDA clearance for smoking cessation and PTSD. In addition, we expect to incur significant commercialization expenses for product sales, marketing, manufacturing and distribution. We believe that the net proceeds of this offering, together with our existing cash resources, will be sufficient to enable us to fund our operating expenses and capital expenditure requirements for at least the next 24 months. However, we may need additional funding to support the continuation of our operating activities.

Components of Our Results of Operations

Revenues

We derive our revenues from the lease and sale of our Deep TMS systems. For Deep TMS for MDD, we offer three different pricing models:

- *Fixed-fee Lease Model:* The customer leases the Deep TMS system and pays a fixed annual fee (which typically increases annually) for an unlimited number of treatments for the term of the lease (three to five years). We calculate the pricing of the annual fee assuming four (4) treatments per day.

- *Risk Share Model:* The customer leases the Deep TMS system and the customer pays a variable fee based on the higher of: fees per treatment (i.e., usage based fees) or an annual minimum fee (determined based on a minimum number of monthly or annual treatments). As in the fixed-fee lease model, these leases have a term of three to five years. We calculate the pricing of the minimal annual fee generally assuming two (2) treatments per day.

- *Sales Model:* The Deep TMS system is sold to the customer for a fixed purchase price. We also offer annual service warranty for the system that may be provided after the expiration of the standard warranty for additional fees.

For the nine months ended September 30, 2018, approximately 60% of our Deep TMS systems installed base for MDD utilized the fixed-fee lease model, 30% utilized the sales model and 10% utilized our risk share model. We intend to use only the risk share model for Deep TMS for OCD. Most of our sales outside the United States are made via the sales model.

Our revenues from the operating leases of our Deep TMS systems are recognized on a straight-line method over the term of the lease. Usage based fees are recognized as revenue when we are entitled to receive such revenue. Our revenues from sales are recognized upon delivery of the system.

Cost of revenues and gross margin

Our cost of revenues include a significant component of depreciation of the Deep TMS systems, due to the fact that we maintain ownership of our systems under our fixed-fee lease and risk share model, in which we lease the system for use by our customers, rather than sell it outright. We expect to continue to own our Deep TMS systems under our fixed-fee lease and risk share model for the foreseeable future, which allows us to maintain our relatively low cost of revenues. However, upon our achievement of a greater number of systems being leased, our depreciation expense will increase and will impact our cost of revenues.

In the case of the Deep TMS systems that we sell under our sales model, the entire cost of the Deep TMS system is recognized upon such sale. The cost of revenues for systems that we sell primarily consists of the costs of raw materials, including components purchased from our third-party contract manufacturers and manufacturing and assembly of the components that we perform ourselves. While we have previously used a third-party stimulator for our Deep TMS systems, we recently developed and have received FDA clearance in May 2018 for our own proprietary stimulator and consequently, we believe that our cost of revenues with respect to system components will decrease.

The cost of revenues for systems that we lease or sell also include costs related to personnel, royalties to PHS and Yeda, shipping, and our operations department. We expect our cost of revenues to increase in absolute dollars to the extent our revenues increase.

Selling and marketing expenses

Selling and marketing expenses consist of marketing and commercial activities related to the sale and lease of our Deep TMS systems, as well as personnel expenses, including salaries and related benefits, sales commissions, share-based compensation for employees and facility costs. Other significant sales and marketing costs include conferences, trade shows, and promotional and marketing activities, including direct and online marketing, practice support programs, media campaigns and travel expenses.

We anticipate an increase in the headcount of our commercial organization as we continue to expand our business in the United States and internationally, and as we receive the relevant regulatory clearances for additional indications for our system. As a result, we expect our sales and marketing expenses to continue to increase.

Research and development expenses, net

Research and development expenses, net, consist primarily of personnel expenses, including salaries and related benefits, share-based compensation for employees, facility costs, laboratory materials, regulatory costs, patents and travel expenses, as well as expenses associated with outsourced professional scientific development services and the costs of multi-center and other clinical trials.

We expect to continue to incur research and development expenses for the near future as we advance the development of our Deep TMS technology for the treatment of new indications, which

may include smoking cessation and PTSD and other potential psychiatric, neurological and addiction indications, as well as for various hardware and software development projects related to the Deep TMS system. As a result, we expect our research and development expenses to continue to increase.

A portion of our investment in research and development is funded by participation of the IIA through grants which are presented net of research and development expenses.

General and administrative expenses

General and administrative expenses consist primarily of personnel expenses, including salaries and related benefits, share-based compensation, and travel expenses for employees in executive, finance, information technology, legal and human resource functions. General and administrative expenses also include the cost of insurance, professional services, including legal and accounting fees as well as administrative costs, including corporate facility costs.

We anticipate that our general and administrative expenses will increase due to planned expansion of our activities. We anticipate higher corporate infrastructure costs including, but not limited to, accounting, legal, human resources, consulting and investor relations and listing fees on the Nasdaq Global Market, costs associated with reporting and compliance in the United States, as well as increased director and officer insurance premiums, as a result of becoming a public company in the United States.

Finance expenses (income), net

Our finance expenses (income), net, consist primarily of expenses related to bank charges, interest expense payable under our credit facility and the amortization of deferred financing costs related to our bank loan and finance expense with respect to the fair value re-measurement related to our outstanding liability to the IIA on account of grants received for financing our research and development activity, as well as interest income earned on our bank deposits and foreign currency exchange transactions.

Income taxes expense

Our income taxes expense is derived primarily from income generated from the sales and lease of our Deep TMS systems from our U.S. subsidiary. During the years ended December 31, 2016 and 2017, we did not record an income tax benefit related to our current and carryforward losses for tax purposes as a valuation allowance was established for all deferred tax assets as utilization is not probable due to our cumulative net loss position.

Key Business Metrics

Committed Payments

Committed payments is a non-IFRS financial metric that we define as an aggregate amount of minimum lease payments under signed contracts pursuant to our fixed-fee lease and risk share pricing models (variable fees). We consider committed payments to be a useful metric for management and investors because it is an important indicator of our expected revenues to be recognized over the respective lease terms. Committed payments assume no exercise of the customer's early termination option under the relevant contract.

We believe that this non-IFRS financial measure is useful in evaluating our business as a way of assisting an investor in evaluating future cash flows of our business.

Below is a table showing a breakdown of our committed payments, by year in which such payments are expected to be made, (1) as of September 30, 2018, in respect of all leases, assuming no exercise of any early termination options; (2) for the three months ended September 30, 2018, in respect of all

leases, assuming no exercise of any early termination options; and (3) as of September 30, 2018, in respect of only those leases with early termination options:

(in thousands)	Total	2018(*)	2019	2020	2021	2022
(1) As of September 30, 2018, in respect of all leases, assuming no exercise of any early termination options	$ 33,715	$ 9,364	$ 10,034	$ 7,592	$ 4,700	$ 2,025
(2) For the three months ended September 30, 2018, in respect of all leases, assuming no exercise of any early termination options	4,367	210	1,089	1,155	1,165	748
(3) As of September 30, 2018, in respect of only those leases with early termination options	8,538	1,853	2,863	2,306	1,274	242

* Includes revenues recognized during the nine months ended September 30, 2018.

With regard to the leases using the risk share model (variable fees), the customer leases the Deep TMS system and the customer pays a variable fee based on the higher of fees per treatment (i.e., usage based fees) or an annual minimum fee (determined based on a minimum number of monthly or annual treatments). To the extent the customer uses the TMS System beyond the minimum number of treatments in the lease, the customer would pay additional fees to us. Since we cannot predict the actual usage by our customers under such leases, any such additional fees are not estimable at this time.

Critical Accounting Policies and Estimates

The preparation of financial statements, in conformity with IFRS, requires companies to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and 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. These estimates and judgments are subject to an inherent degree of uncertainty, and actual results may differ. Our significant accounting policies are more fully described in Note 2 to our financial statements included elsewhere in this prospectus. Critical accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are particularly important to the portrayal of our financial position and results of operations. Our estimates are primarily guided by observing the following critical accounting policies:

Revenue Recognition

We generate revenues from the sale and lease of our systems. We sell products mainly to end users and to a lesser extent, to third-party distributors outside of the United States and do not provide return rights. We typically have post-sale obligations of training and installation of our systems and may provide an annual service warranty for the Deep TMS system after the expiration of the standard warranty. Revenues for such services are deemed distinct performance obligations and are recognized when the services are performed. Revenue recognized from these services has been insignificant for the reported periods.

Revenues are recognized when they can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenues are measured at the fair value of the consideration less any trade discounts.

Revenues from the sale of systems are recognized when all the significant risks and rewards of ownership have passed to the buyer upon delivery of the system and when we no longer retain continuing managerial involvement.

We generate lease revenue from (i) a fixed-fee lease model in which the Deep TMS system is leased to a customer for a fixed annual fee, for a term of three or four years, allowing for unlimited use; and (ii) a risk share model, or a variable fee, in which the Deep TMS system is leased to a customer who pays based on the higher of: fees per treatment (i.e., usage based fees) or an annual minimum fee as stated in the contract. Leases in which substantially all the risks and rewards incidental to ownership of the leased asset are not transferred to the lessee are classified as operating leases. Revenue from operating leases are recognized on a straight-line basis over the lease term. Usage based fees are recognized as revenue when the Company is entitled to receive such revenue.

Royalty Bearing Governmental Grants

Government grants are recognized when there is reasonable assurance that the grants will be received and the Company will comply with all attached conditions. Government grants received from the IIA are recognized upon receipt as a liability if future economic benefits are expected to be derived through estimated future cash flows from the research project, resulting in royalty-bearing sales due to the IIA.

A liability for the grant is first measured at fair value using a discount rate that reflects a market rate of interest. The difference between the amount of the grant received and the fair value of the liability is accounted for as a government grant and recognized as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method. Royalty payments are recorded as a reduction of the liability.

If no economic benefits are expected from the research activity, the grant received are recognized as a reduction of the related research and development expenses. In that event, the royalty obligation is treated as a contingent liability.

In each reporting date, the Company evaluates whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid based on the best estimate of future sales and using the original effective interest method and, if so, the appropriate amount of the liability is derecognized against a corresponding reduction in research and development expenses.

Grants received from the IIA prior to January 1, 2009, which are recognized as a liability, are accounted for as forgivable loans in accordance with IAS 20, based on the original terms of the loan.

Share-based compensation

Share-based compensation reflects the compensation expense of our stock option programs granted to employee and other service providers, in which the compensation expense is measured at the grant date fair value of the options. The grant date fair value of share-based compensation is recognized as an expense over the requisite service period, net of estimated forfeitures. We recognize compensation expense for awards conditioned only on continued service that have a graded vesting schedule using the accelerated method and classify these amounts in our statement of comprehensive loss based on the department to which the related employee/service provider reports.

Options Valuation

We selected the Binomial Lattice option-pricing model as the most appropriate method for determining the estimated fair value of the shared-based compensation. For the purpose of the evaluation of the fair value and the manner of the recognition of share-based compensation, our management is required to estimate, among others, various subjective parameters that are included in the calculation of the fair value of the option, as well as our results and the number of options that will vest. These parameters include the expected volatility of our share price over the expected term of the options, the risk-free interest rate assumption, forfeitures behaviors and expected dividends.

Fair value of ordinary shares. Since our ordinary shares have traded on the TASE since 2007, we have a market price per share of our ordinary shares. Until September 30, 2018, the exercise price for the options was determined based on the average price per share over the 30 trading days prior to the grant date. Subsequent to September 30, 2018, the exercise price for the options was determined based on the average price per share over the 90 trading days prior to the grant date plus a premium of 10%, and for options granted to U.S. residents, the exercise price for the options was determined based on the greater of (i) average price per share over the 90 trading days prior to the grant date plus a premium of 10% and (ii) the last closing price per share prior to the actual grant dates.

Volatility. The expected volatility of the price of our ordinary shares reflects the assumption that the historical volatility of the share prices on the TASE is reasonably indicative of expected future trends.

Risk-free interest rate. The risk-free interest rate is based on observed interest rates appropriate for the expected term of the options granted in dollar terms.

Expected term. The expected term of options granted is derived from the output of the option valuation model and represents the period of time the options are expected to be outstanding.

Expected dividend yield. We have never declared or paid any cash dividends and we do not plan to pay cash dividends in the foreseeable future.

Results of operations

The following table summarizes our results of operations for the indicated periods:

(in thousands)	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2016	2017	2017	2018
			(Unaudited)	
Revenues	$ 11,524	$ 11,145	$ 7,543	$ 11,625
Cost of revenues	2,427	2,595	1,684	2,484
Gross profit	$ 9,097	$ 8,550	$ 5,859	$ 9,141
Research and development expenses, net	$ 3,792	$ 5,343	$ 3,836	$ 4,334
Selling and marketing expenses	5,180	6,331	4,571	5,816
General and administrative expenses	2,194	3,487	1,988	2,353
Total operating expenses	11,166	15,161	10,395	12,503
Total operating loss	2,069	6,611	4,536	3,362
Finance expenses (income), net	328	274	(311)	834
Loss before income taxes	2,397	6,885	4,225	4,196
Income taxes	—	169	42	134
Net loss and comprehensive loss	$ 2,397	$ 7,054	$ 4,267	$ 4,330

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

Revenues

Our revenues were $11.6 million for the nine months ended September 30, 2018 compared to $7.5 million, for the nine months ended September 30, 2017. The increase of $4.1 million, or 54%, was mainly attributed to the ongoing and steady increase in our revenues from the lease of Deep TMS systems in accordance with our strategic decision to shift our sales and marketing focus to the lease and risk share models, which was further supported by an increase in direct sales. Revenues from leases for the nine months ended September 30, 2018 were $6.8 million compared to $4.7 million for the nine months ended September 30, 2017, a 43% increase.

Cost of revenues and gross margin

Our cost of revenues and gross margin were $2.5 million and $9.1 million, respectively, for the nine months ended September 30, 2018 compared to $1.7 million and $5.9 million, respectively, for the nine months ended September 30, 2017, an increase of 48% and 56%, respectively. The increase in cost of revenues is in line with our increase in revenues. There was no material change in the gross margin, which was approximately 78% for each of the nine months ended September 30, 2018 and September 30, 2017.

Research and development expenses, net

Our research and development expenses, net, were $4.3 million for the nine months ended September 30, 2018 compared to $3.9 million for the nine months ended September 30, 2017. The increase of $0.5 million, or 13%, was mainly attributed to the acceleration and growth of our research and development activity, both in clinical trials and in hardware and software development, offset by an increase in the participation of the IIA in projects under development.

Selling and marketing expenses

Our selling and marketing expenses were $5.8 million for the nine months ended September 30, 2018 compared to $4.6 million for the nine months ended September 30, 2017. The increase of $1.2 million, or 27%, was mainly attributed to the continued growth in our U.S. marketing activity and in our target markets, including recruitment of sales, marketing and support personnel in the United States.

General and administrative expenses

Our general and administrative expenses were $2.4 million for the nine months ended September 30, 2018, compared to $2.0 million for the nine months ended September 30, 2017. The increase of $0.4 million, or 18%, was mainly attributed to professional services fees.

Finance expenses (income), net

Our net finance expenses (income), net, were $0.8 million for the nine months ended September 30, 2018 compared to $(0.3) million for the nine months ended September 30, 2017. The increase of $1.1 million was mainly attributed to interest expense and amortization of deferred costs of a bank loan, a change in the calculation of our liability for government grants and revaluation of warrants.

Year ended December 31, 2017 compared to year ended December 31, 2016

Revenues

Our total revenues decreased by $0.4 million, or 3%, from $11.5 million for the year ended December 31, 2016 to $11.1 million for the year ended December 31, 2017. The decrease in revenues was attributed mainly to our strategic decision to shift our sales and marketing focus to the lease and risk share models rather than our sales model, the benefits of which were not yet achieved during the 2017 period. Revenues from leases were 60% of the revenues for the year ended December 31, 2017, compared to 46% of the revenues for the year ended December 31, 2016.

Cost of revenues and gross margin

Our cost of revenues increased by $0.2 million, or 8%, from $2.4 million for the year ended December 31, 2016 to $2.6 million for the year ended December 31, 2017. The increase was primarily due to an impairment charge in respect of our lease systems, partially offset by a change in the mix between sales and leases. Gross margin was 77% for the year ended December 31, 2017 compared to 79% for the year ended December 31, 2016.

Research and development expenses, net

Our research and development expenses, net, were $5.3 million for the year ended December 31, 2017 compared to $3.8 million for the year ended December 31, 2016. The increase of $1.5 million, or 39%, was mainly attributed to the acceleration and growth of our research and development activity, both in clinical trials and in hardware and software development, and a decrease in government grants participation of the IIA in 2017 compared to 2016.

Selling and marketing expenses

Our selling and marketing expenses were $6.3 million for the year ended December 31, 2017 compared to $5.2 million for the year ended December 31, 2016. The increase of $1.1 million, or 21%, was mainly attributed to the continued growth of our U.S. marketing activity and in our target markets, including recruitment of sales, marketing and support personnel in the United States.

General and administrative expenses

Our general and administrative expenses were $3.5 million for the year ended December 31, 2017 compared to $2.2 million for the year ended December 31, 2016. The increase of $1.3 million, or 59%, was mainly attributed to expenses with respect of options granted to the incoming CEO, an increase in expense for allowance for doubtful accounts and professional services.

Finance expenses (income), net

Our net finance expenses (income), net, were $0.27 million for the year ended December 31, 2017 compared to $0.33 million for the year ended December 31, 2016.

Liquidity and Capital Resources

Overview

As of September 30, 2018, we had cash, cash equivalents and short-term deposits of $10.6 million and an accumulated deficit of $59.4 million, compared to cash and short-term deposits of $14.6 million and an accumulated deficit of $55.1 million as of December 31, 2017. We incurred negative cash flows from operating activities of $2.4 million and $3.5 million for the years ended December 31, 2016 and 2017, respectively, and $3.0 million and $2.8 million for the nine months ended September 30, 2017 and 2018, respectively. We have incurred operating losses since our inception, and we anticipate that our operating losses will continue in the near term as we seek to expand our sales and marketing initiatives to support our growth in existing and new markets and invest funds in additional research and development activities. Our primary sources of capital to date have been from public offerings in Israel and private placements of our securities, grants from the IIA, borrowings under our credit facility and leases and sales of our Deep TMS systems. From inception through September 30, 2018, we raised $58 million from placements of our ordinary shares, and as of September 30, 2018, we had $3 million of borrowings outstanding under our credit facility, which matures in April 2021 and has $3 million of additional borrowing capacity. We intend to repay the outstanding balance of the loan with the proceeds of this offering and terminate the credit facility following the closing of this offering.

We expect our revenues and expenses to increase in connection with our on-going activities, particularly as we expand the marketing of our Deep TMS system for MDD and OCD, and for other indications for which we receive regulatory authorizations in the future. Furthermore, following the completion of this offering, we expect to incur additional costs as a U.S. public company. Based on our current business plan, we believe that our cash and cash equivalents as of September 30, 2018, anticipated revenues from sales of our products and net proceeds from this offering will be sufficient to meet our anticipated cash requirements through at least the next 24 months. However, if these sources are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity securities, expand our existing credit facility or enter into a new credit facility, or seek financing from third party collaborators. If we raise additional funds by issuing equity securities, our shareholders would experience dilution. Additional debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. We can provide no assurance that additional equity or debt financing will be available on terms favorable to us, or at all. If we raise additional funds through collaborations with third parties, we may be required to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us. If we are unable to obtain adequate funds on reasonable terms, we will need to curtail operations significantly, including possibly postponing anticipated clinical trials or entering into financing agreements with unfavorable terms.

Indebtedness

Credit facility agreement with Mizrahi Tefahot Bank

On August 17, 2017, we entered into a credit facility agreement with Mizrahi Tefahot Bank Ltd., which we refer to as Mizrahi Tefahot Bank, for the provision of two (2) lines of credit in the amount of $3 million each and $6 million in the aggregate. The first line of credit was drawn in its entirety on October 8, 2017, and the second line may be drawn and utilized through March 15, 2019. As of September 30, 2018, the outstanding principal balance under the credit facility was $3 million.

The first line of credit is repayable over a period of 42 months and bears quarterly interest in the amount of LIBOR + 6%, which was 8.34% in the quarter ended September 30, 2018. The principal of the first line of credit is repayable in eight (8) consecutive equal payments with the first payment due 18 months after the date that the loan was drawn. If the second line of credit is withdrawn, such second line of credit will be repayable over a period of 36 months and will bear quarterly interest in the amount of LIBOR + 6%. As part of the credit terms, Mizrahi Tefahot Bank was granted certain warrants to purchase our ordinary shares. See "Description of our Share Capital."

We are entitled at any time to make early repayment of the loan, in whole or in part, subject to the payment of an early repayment fee. We intend to repay the outstanding balance of the loan and terminate the credit facility following the closing of this offering.

Cash flows

The table below summarizes our cash flow activities for the indicated periods:

(in thousands)	Year Ended December 31,		Nine Months Ended September 30,	
	2016	2017	2017	2018
			(Unaudited)	
Net cash used in operating activities	$ (2,402)	$ (3,467)	$ (2,958)	$ (2,769)
Net cash used in investing activities	(393)	(2,451)	(231)	(1,621)
Net cash provided by (used in) financing activities	570	11,108	(189)	(282)
Exchange rate differences on cash and cash equivalents	44	145	61	(335)
Increase (decrease) in cash and cash equivalents	$ (2,181)	$ 5,335	$ (3,317)	$ (5,007)

Operating Activities

Net cash used in operating activities was $2.8 million during the nine months ended September 30, 2018, compared to $3.0 million used during the nine months ended September 30, 2017. The increase of $0.2 million was mainly attributed to an increase in our gross profit.

Net cash used in operating activities was $3.5 million during the year ended December 31, 2017, compared to $2.4 million during the year ended December 31, 2016. The increase of $1.1 million during 2017 compared to 2016 was mainly attributed to an increase in loss for the period, which resulted in part from the impact of our strategic decision to shift our sales and marketing focus to the fixed-fee lease model and risk share models rather than our sales model.

Investing Activities

Net cash used in investing activities was $1.6 million during the nine months ended September 30, 2018 compared to net cash provided by investing activities of $0.2 million during the nine months

ended September 30, 2017. The decrease of $1.4 million was mainly attributed to an increase in the purchase of fixed assets.

Net cash used in investing activities was $2.5 million during the year ended December 31, 2017 compared to $0.4 million during the year ended December 31, 2016. The increase of $2.1 million during 2017 compared to 2016 was mainly attributed to a pledged cash deposit in the amount of $2.0 million in respect of our credit facility and an increase in the purchase of fixed assets of $1.4 million, offset by the exercise of short-term investments to cash.

Financing Activities

Net cash used in financing activities was $0.3 million during the nine months ended September 30, 2018 compared to $0.2 million during the nine months ended September 30, 2017. The net cash used was mainly attributed to a decrease in repayment obligations (payment of royalties) in respect of government grants and bank loan interests.

Net cash provided by financing activities was $11.1 million during the year ended December 31, 2017 compared to $0.6 million during the year ended December 31, 2016. The increase of $10.5 million was mainly attributed to a receipt of a loan from a bank of $2.7 million and net proceeds from the issuance of ordinary shares of $8.5 million.

Government Grants

To date, we have received grants from the IIA in an aggregate amount of approximately $12.2 million. We are currently required to pay 3% royalties of sales of our Deep TMS products, which payment obligations are not to exceed the amount of the grant received (in U.S. dollars), plus interest at an annual rate equal to the LIBOR rate. As of September 30, 2018, we have paid royalties to the IIA in an aggregate amount of approximately $1.4 million (including amounts in respect of accrued interest), with remaining royalties of up to $12.7 million to be paid by 2025.

Research and development grants received from the IIA are recognized upon receipt as a liability if future economic benefits are expected from the project that will result in royalty-bearing sales. The amount of the liability for the loan is first measured at fair value using a discount rate that reflects a market rate of interest that reflects, in turn, the appropriate degree of risks inherent in our business. If no economic benefits are expected from the research activity, the grant receipts are recognized as a reduction of the related research and development expenses. In that event, the royalty obligation is treated as a contingent liability in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Asset".

At the end of each reporting period, we evaluate whether there is a reasonable assurance that the received grants will not be repaid based on our best estimate of future sales and, if so, no liability is recognized and the grants are recorded against a corresponding reduction in research and development expenses.

Research and development grants received from the European Union are recorded against a corresponding reduction in research and development expenses.

Private Placement

On December 11, 2017, we completed a private placement of our ordinary shares to a group of shareholders led by the Phoenix Provident Fund, pursuant to which the investors invested an aggregate gross amount of $8.6 million in consideration for 1,924,662 of our ordinary shares.

Research and Development expenses, net

The following table describes our research and development expenses, net, for the indicated periods:

(in thousands)	Year Ended December 31, 2016	2017
Salaries and related benefits	$ 2,053	$ 2,954
Subcontractors	1,885	1,584
Laboratory materials	402	453
Patents	104	134
Share-based payment	(214)	180
Travel	70	35
Depreciation	35	35
Other	273	362
Less—Government grants	(816)	(394)
Total research and development expenses, net	$ 3,792	$ 5,343

While we are currently focused on developing future indications and enhancements to our system, our future research and development expenses will depend on the clinical success of each indication and the rate of patient recruitment, among other factors. We expect our research and development expenses to increase from current levels as we advance our clinical trials. The lengthy process of completing clinical trials and seeking regulatory approvals for new indications for our system requires substantial expenditures. Any failure or delay in completing clinical trials, or in obtaining regulatory approvals, could cause our research and development expenses to increase and adversely affect our results of operations.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations as of December 31, 2017 based on contractual payments:

(in thousands)	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Operating lease obligations(1)	$ 1,376	$ 535	$ 809	$ 32	$ —
Principal under credit facility(2)	3,000	—	2,250	750	—
Interest under credit facility(2)	577	219	337	21	—
Liability in respect of research and development grants (undiscounted)(3)	13,198	504	2,252	4,235	6,207
Others	6	2	4		
Total	$ 18,157	$ 1,260	$ 5,652	$ 5,038	$ 6,207

(1) Operating lease obligations consist of our corporate facilities. Our total lease payments on all of our facilities are approximately (without vehicles) $36,000 per month.

(2) We intend to repay the outstanding balance of the amounts due under the credit facility with the proceeds of this offering and terminate the credit facility promptly following the closing of this offering.

(3) Liability in respect of research and developments consists of the projected royalty payments of 3% of revenues derived from research and developments projects for which participation grants were received from the Israeli Government.

Off-Balance Sheet Arrangements

We do not have any, and during the periods presented we did not have any, off-balance sheet arrangements.

Quantitative and Qualitative Disclosure about Market Risk

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of foreign currency exchange rates, which is discussed in detail below.

Foreign Currency Exchange Risk

The U.S. dollar is our functional and reporting currency. Although a substantial portion of our expenses (mainly salaries and related costs) are denominated in NIS, accounting for 33% of our expenses in the year ended December 31, 2017, all of our financing has been in U.S. dollars and the substantial majority of our liquid assets are held in U.S. dollars. Furthermore, while we anticipate that a portion of our expenses, principally salaries and related personnel expenses in Israel will continue to be denominated in NIS, we expect to incur an increasing amount of expenses in U.S. dollars as we increase our marketing and sales personnel and enhance our clinical studies. Changes of 5% in the U.S. dollar/NIS exchange rate would have increased/decreased operating expenses by approximately 6% during the year ended December 31, 2017. We also have expenses, although to a much lesser extent, in other non-U.S. dollar currencies, in particular the Euro.

Moreover, for the next few years we expect that the substantial majority of our revenues from the sale or lease of our systems in the United States, if any, will be denominated in U.S. dollars. Since a portion of our expenses is denominated in NIS and other non-U.S. currencies, we are exposed to risk associated with exchange rate fluctuations vis-à-vis the non-U.S. currencies. See "Risk Factors—Exchange rate fluctuations between the U.S. dollar, the NIS and other foreign currencies, may negatively affect our future revenues." If the NIS fluctuates significantly against the U.S. dollar it may have a negative impact on our results of operations. As of the date of this prospectus, and for the periods under review, fluctuations in the currency exchange rates have not materially affected our results of operations or financial condition.

We do not hedge our foreign currency exchange risk. In the future, we may enter into formal currency hedging transactions to decrease the risk of financial exposure from fluctuations in the exchange rates of our principal operating currencies. These measures, however, may not adequately protect us from the material adverse effects of such fluctuations.

Inflation-related risks

We do not believe that the rate of inflation in Israel has had a material impact on our business to date, however, our costs in Israel will increase if the inflation rate in Israel exceeds the devaluation of the NIS against the U.S. dollar or if the timing of such devaluation lags behind inflation in Israel.

Recent Accounting Pronouncements

For a description of our recently issued accounting pronouncements, see Note 2(d) to our interim consolidated financial statements appearing elsewhere in this prospectus.

JOBS Act

Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. This means that an "emerging growth company" can delay the

adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to utilize this exemption and, therefore, we will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. In addition, as a result of this election, our future financial statements may not be comparable to those of public companies that are not emerging growth companies and are required to comply with public company effective dates for new or revised accounting standards.

Subject to certain conditions set forth in the JOBS Act, as an "emerging growth company," we also elected or may elect to rely on other exemptions, including without limitation, not (i) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis). These exemptions will apply until the earliest of (a) the last day of our fiscal year in which we have total annual gross revenues of at least $1.07 billion; (b) the last day of our fiscal year following the fifth anniversary of the closing of this offering; (c) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt; or (d) the date on which we are deemed to be a "large accelerated filer" under the Exchange Act.

BUSINESS

Overview

We are a commercial stage medical device company focused on the development and sale of non-invasive neuromodulation products using our proprietary Deep Transcranial Magnetic Stimulation (Deep TMS) technology for the treatment of major depressive disorder (MDD) and obsessive-compulsive disorder (OCD), for which we have received marketing authorization from the U.S. Food and Drug Administration (FDA). Deep TMS uses magnetic pulses to stimulate neurons and consequently modulates the physiological activity of the brain. Our technology can either increase brain activity in neuronal networks which are hypoactive, or alternatively decrease brain activity in neuronal networks which are hyperactive. Our proprietary electromagnetic coils, which we refer to as H-Coils, are designed to safely stimulate deep and broad brain regions, which we believe provides an advantage over other available TMS products, which we refer to collectively as Focal TMS, that generally use a "figure 8" design. We believe that our Deep TMS technology has the potential to be safe and effective for the treatment of a wide range of psychiatric, neurological and addiction disorders beyond MDD and OCD.

MDD is a common and debilitating mental disorder characterized by physiological symptoms, such as sleep disturbance and changes in appetite, emotional symptoms, such as sadness, despair, emptiness, self-hate and critique, and cognitive symptoms, such as difficulty concentrating, memory dysfunction, suicidal thinking and faulty judgment of reality. According to a 2015 study by the World Health Organization (WHO), MDD affects approximately 300 million people worldwide, with the rate of depression increasing in developed countries. The U.S. National Institute of Mental Health (NIMH) estimates that 16.2 million individuals in the United States suffer from a major depressive episode within a given year. Based on 2006-2007 data from the Sequenced Treatment Alternatives to Relieve Depression (STAR*D) study, we estimate that approximately 4.9 million adult MDD patients in the United States are considered treatment-resistant (i.e., do not benefit from anti-depressant medication), of which we estimate that approximately 3.4 million or more are currently eligible to receive reimbursement for Deep TMS from either governmental or private insurers. Assuming a course of treatment per patient of 33 treatment sessions and a price paid to us per treatment session of $70 (which is the price per treatment session used in our risk share pricing model), we believe our total annual addressable market opportunity for MDD in the United States is approximately $8 billion.

OCD is a common, chronic and long-lasting disorder in which a person has uncontrollable, reoccurring thoughts (obsessions) and behaviors (compulsions) that he or she feels the urge to repeat over and over in a manner that can interfere with all aspects of life, such as work, school, and personal relationships. Based on data from the NIMH, we estimate that approximately 2.24 million adults in the United States suffer from OCD annually. Of these people, we estimate approximately 820,000 patients have sought treatment for OCD and approximately 410,000 are considered treatment-resistant. Assuming a course of treatment per patient of 29 treatment sessions and a price paid to us per treatment session of $70 (which is the price per treatment session used in our risk share pricing model), we believe our total annual addressable market opportunity for OCD in the United States is approximately $800 million.

Our first commercial Deep TMS product received clearance from the FDA in 2013 for the treatment of MDD in adult patients who have failed to achieve satisfactory improvement from anti-depressant medication in the current episode. Our pivotal trial for MDD demonstrated statistically significant response and remission rates of 38.4% and 32.6%, respectively, in week five of Deep TMS treatment of 20 minutes per session, compared to 21.4% and 14.6%, respectively, after sham treatment. Our Deep TMS system for MDD is currently marketed to and installed at psychiatrists' offices and other facilities principally in the United States and in certain other countries throughout the world.

In addition to our FDA clearance of Deep TMS for MDD, we are the first and only medical device company to offer an FDA-authorized non-invasive treatment for OCD, the marketing authorization for which we received in August 2018 as an adjunct therapy for adult patients suffering from OCD. Our pivotal trial for OCD demonstrated statistically significant response and partial response rates of 38.1% and 54.8%, respectively, after six weeks of daily active Deep TMS treatment of 19 minutes per session, compared to 11.1% and 26.7%, respectively, after sham treatment.

We believe that Deep TMS represents a platform technology that provides for an opportunity to develop additional Deep TMS products for a variety of psychiatric, neurological and addiction disorders. We are currently conducting multicenter clinical trials to support FDA clearance of Deep TMS for smoking cessation and PTSD. We are also planning multicenter trials for other indications, including opioid addiction and multiple sclerosis (MS), the latter of which is the first neurological indication that we plan to advance into a multicenter trial.

Our current customers are principally doctors, hospitals and medical centers in the field of psychiatry. Treatment with Deep TMS is typically performed as an office-based procedure using our Deep TMS system, which consists of our proprietary H-Coil helmet, as well as several other components, including a stimulator, cooling system, positioning arm and an operator interface. A course of treatment for MDD typically requires 20 treatment sessions over a period of four weeks, and thereafter up to 24 additional maintenance sessions over a period of up to 12 weeks. The standard Deep TMS treatment protocol for OCD requires 29 treatment sessions over six weeks. A standard MDD or OCD session lasts 20 minutes and 19 minutes, respectively. The treatment requires no anesthesia, hospitalization or sedation and no systemic side effects have been reported.

We estimate that over 90% of the total private insurer covered lives in the United States have coverage for reimbursement of MDD treatment with Deep TMS. In addition, our MDD treatment with Deep TMS is eligible for reimbursement from Medicare. We also believe that there is currently an out-of-pocket market for our Deep TMS systems for OCD. However, we are working to broaden the scope of reimbursement coverage for Deep TMS to include OCD treatment, based on novelty of the technology, unmet clinical need and the efficacy and safety profile of the treatment.

The United States is our primary and most strategic market, representing approximately 90% of our revenues for the year ended December 31, 2017. We operate in the United States through our wholly owned subsidiary, Brainsway USA, Inc., as a direct marketing and sales channel, where we currently have existing sales, marketing and support infrastructure. We are currently ramping up our commercialization efforts of Deep TMS for OCD. We generate revenue from various flexible pricing models that are designed to maximize market penetration. For the year ended December 31, 2017, we generated revenues of approximately $11.1 million, and for the nine months ended September 30, 2018, we generated revenues of $11.6 million, an increase of 54% compared to the nine months ended September 30, 2017.

Our Deep TMS Platform

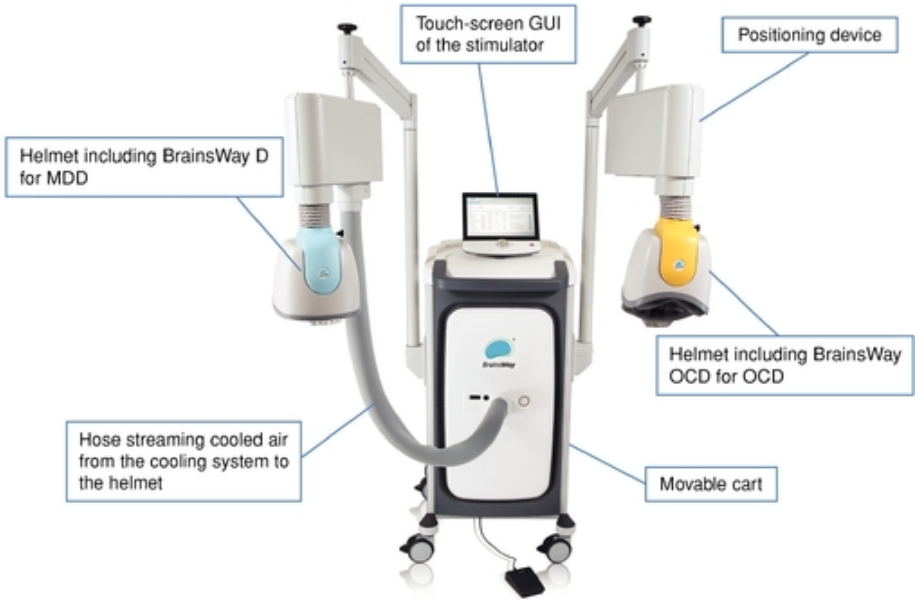
Our proprietary Deep TMS technology is intended for non-invasive treatment of psychiatric, neurological and addiction disorders. The system includes an H-Coil uniquely designed to transmit electric current flows at varying rates, creating an electromagnetic field that serves to depolarize cortical neurons and activate neural networks in certain areas of the brain in accordance with the operating frequency, with the effect of treating the disorder associated with that area of the brain. Our innovative technology is capable of stimulating deeper and broader regions of the brain than any other commercially available TMS product.

We have developed a number of H-Coils with differing configurations, building upon our technology with important changes for each coil. For different regions of the brain which are known to be associated with specific brain disorders, we offer different H-Coils that are designed to influence the

neurological networks of those regions. For example, we have one H-Coil (BrainsWay D) that is used in our Deep TMS system for MDD, and we have another H-Coil for OCD (BrainsWay OCD) that is used for OCD and is in clinical development for PTSD (and future clinical development is planned for opioid addiction). The H-Coils transmit pulses which are generated by a power supply, known as a stimulator. We recently developed our own proprietary stimulator that is more advanced than our previously used third-party stimulator and improves our approved Deep TMS systems through its user-friendly software interface and other features. We obtained FDA 510(k) clearance for our proprietary stimulator as a modification to the FDA clearance for the MDD indication. In addition, we are currently developing a next generation multichannel stimulator allowing for simultaneous modulation of different areas of the brain with independent stimulation parameters, thus potentially enabling more flexible and effective treatment of various brain disorders, which we believe would make our Deep TMS systems even more attractive to clinicians, researchers and patients. This innovation is potentially well-positioned for use in neurology indications.

Our Deep TMS system is comprised of the various key components, as illustrated below:

- Helmet, including proprietary H-Coil
- Stimulator, which provides the power supply and source of the Deep TMS electromagnetic field
- Graphic User Interface (GUI)
- One or More Arm(s)/Positioning Device(s)
- Cooling System
- Movable Medical Cart



We believe our Deep TMS system has many advantages relative to other TMS products currently on the market. Our H-Coil is a flexible device encased in a helmet that fits securely around the patient's head. This, together with the proprietary structure of our H-Coil, means that a much larger surface area of the head is in contact with the H-Coil. Furthermore, if the patient moves his or her head, the helmet—and thus the H-Coil—moves along with it, eliminating the need for features which prevent the patient from moving his or her head during therapy. In contrast, all other currently available TMS products utilize what we refer to as Focal TMS, which generally utilizes a variation of the figure 8 coil that is placed adjacent to the scalp of the patient and needs to be specifically

positioned and attached to the head in order to deliver focal stimulation of the desired area of the brain. Whereas some figure 8 coils are handheld by the operator, some Focal TMS systems attach the coil to an apparatus designed to minimize the ability of the patient to move the head away from the relevant portion of the coil during therapy and thus failing to achieve the required stimulation. These features either alert the operator in the event of a shift of the patient's head away from the coil, or actually fasten the coil next to the patient's head. In either case, only a small surface area on the patient's head comes into contact with the figure 8 coil. Focal TMS is limited to the narrow area treated, and the manual placing of the figure 8 coil in Focal TMS may cause inaccuracies in the region treated. Studies suggest that the figure 8 coil misses the target in 33% of patients.

A course of treatment for MDD typically requires 20 treatment sessions over a period of four weeks, and thereafter up to 24 additional maintenance sessions over a period of up to 12 weeks. The standard Deep TMS treatment protocol for OCD requires 29 treatment sessions over six weeks. A standard MDD or OCD session lasts 20 and 19 minutes, respectively. The protocol for OCD also requires a short provocation procedure (i.e., triggering of OCD symptoms), to ensure that Deep TMS is calibrated to treat the particular needs of the patient, which is then followed by a Deep TMS session. The treatments are typically office-based procedures performed in private clinics, hospitals, universities and other medical centers. As with Focal TMS, Deep TMS is contraindicated for patients with metallic objects or implanted stimulator devices in or near the head, including cochlear implants, deep brain stimulators, other implanted electrodes or stimulators, aneurysm clips or coils, stents, bullet fragments, jewelry and hair barrettes. During treatment, the patient must use earplugs to reduce exposure to the loud sounds produced by the device.

We believe that Deep TMS has additional advantages over Focal TMS because it is capable of stimulating deeper and broader areas of the brain. Studies have shown that while Focal TMS devices create an electromagnetic field estimated to penetrate the cortical surface of the brain up to depths in the range of 0.7 centimeters to 1.1 centimeters, Deep TMS creates a magnetic field with a slower and more gradual deterioration that reaches depths from the cortical surface of approximately 1.8 centimeters for BrainsWay D and approximately 3.5 centimeters for BrainsWay OCD. Studies have also shown that BrainsWay D has the capacity for total stimulated brain volume of 17 cm^3 compared to 3 cm^3 for the figure 8 coil used in Focal TMS. We believe this deeper and broader penetration of Deep TMS provides an advantage over Focal TMS because of its potential to address a wider variety of brain disorders, and for a given disorder, to stimulate more relevant brain structures.

The training for operation of a Deep TMS system is relatively simple and generally requires a day of training which includes classroom lectures as well as a number of hours of practice providing treatment. The OCD training protocol also includes instruction on addressing specific obsessions and compulsions.

Competitive Strengths

- ***Deep TMS technology has advantages over Focal TMS.***

  We believe that Deep TMS, with our proprietary H-Coil design, allows for deeper and broader penetration of regions of the brain compared to Focal TMS, permitting Deep TMS to address a wider variety of psychiatric, neurological and addiction disorders. We believe that this deeper and broader penetration provides us with the opportunity to address more indications with potentially greater clinical efficiency because Deep TMS stimulates a larger portion of the brain and is less sensitive to coil orientation during treatment. In addition, Deep TMS is administered at stimulation levels that we believe are as safe and tolerable as Focal TMS.

- ***We have obtained FDA marketing authorizations of Deep TMS for MDD and OCD.***

  We are the only company to have obtained FDA marketing authorizations for TMS products in more than one psychiatric indication: MDD, which was FDA-cleared in 2013, and OCD, which was classified by FDA as a Class II device in a *de novo* classification in August 2018. For MDD, we are one of only two TMS companies that have performed clinical studies supporting the FDA clearance. We are the first and only TMS company, and Deep TMS is the only non-invasive medical device, to obtain FDA marketing authorization for OCD.

- ***Our clinical data supports the efficacy and safety of Deep TMS.***

  We believe that our clinical data supports the efficacy and safety of Deep TMS that will accelerate its market acceptance by clinicians. Our pivotal trial for MDD demonstrated statistically significant response and remission rates of 38.4% and 32.6%, respectively, in week five of Deep TMS treatment of 20 minutes per session, compared to 21.4% and 14.6%, respectively, after sham treatment. Our pivotal trial for OCD demonstrated statistically significant response and partial response rates of 38.1% and 54.8%, respectively, after six weeks of daily active Deep TMS treatment of 19 minutes per session, compared to 11.1% and 26.7%, respectively, after sham treatment. Overall, Deep TMS treatment was safe and well-tolerated by patients in these trials.

- ***We have a commercial track record for MDD, and are ramping up commercialization for OCD.***

  We have an established commercial footprint in the United States for Deep TMS for MDD, including our own sales, marketing and support employees at our U.S.-based subsidiary. We estimate that over 90% of the total private insurer covered lives in the United States have coverage for reimbursement of MDD treatment with Deep TMS. In addition, our MDD treatment with Deep TMS is eligible for reimbursement from Medicare. We are also currently selling Deep TMS for MDD in Europe, Mexico, Israel and certain other countries. We are currently ramping up our commercialization efforts for Deep TMS for OCD. We believe that our installed base of Deep TMS systems for MDD will facilitate faster expansion into OCD because clinicians who already have a Deep TMS system only need to lease an add-on arm and helmet to the existing system. We are currently working to obtain insurance reimbursement coverage for OCD in the United States.

- ***Our flexible pricing models are designed to achieve market penetration.***

  For Deep TMS for MDD, we offer a fixed-fee lease model enabling unlimited use, including warranty and support, or provide an option to purchase, including a one-year warranty. In addition, we offer a risk share model, a pay-per-use pricing model with a minimum annual fee, for MDD, and for OCD, we offer only our risk share model. We believe these pricing models will increase market acceptance among clinics and psychiatric professionals at reduced up-front costs compared to our sales or fixed-lease models. Based on our commercial data, and depending on insurer reimbursement rates, we believe our psychiatrist customers can generate approximately $10,000 of revenues per patient for a course of treatment using our system.

- ***Deep TMS has potential applicability to a range of psychiatric, neurological and addiction disorders.***

  Deep TMS has the potential to serve as a platform technology that can address a potentially wide variety of other psychiatric, neurological and addiction disorders by using the appropriate H-Coil structure for the targeted brain region. We are in advanced stages of several pivotal multicenter clinical trials for smoking cessation, PTSD and bipolar disorder, and we are also planning trials for MS and opioid addiction.

Our Strategy

We are currently focused on expanding the commercialization of Deep TMS with respect to the two indications that have FDA marketing authorization, MDD and OCD. Simultaneously, we are continuing to pursue the potential application of Deep TMS for smoking cessation and PTSD through our ongoing pivotal multicenter trials for these indications. In addition, we are actively engaged in research for other potential applications for Deep TMS for patients suffering from neurological conditions and addictions. For each potential indication, we assess and evaluate our technology's

efficacy, safety, patent status, market potential, and development and regulatory pathways. Our systematic approach to evaluating and developing applications for Deep TMS allows us to continually build upon our clinical pipeline, and advance those applications with the greatest clinical effect and revenue potential. We also plan to advance other technological innovations in the neuromodulation space for the improvement of our products. For example, we are currently developing a multichannel stimulator allowing for simultaneous modulation of different areas of the brain, as well as pursuing personalized treatment solutions allowing for providers to customize ideal treatment approaches for each patient.

Specific elements of our strategy include the following:

- ***Increase the full-scale commercialization of Deep TMS for MDD and accelerate commercialization of Deep TMS for OCD.***

  We are continuing to scale up our commercialization of Deep TMS for MDD as we seek to further penetrate the MDD market. In addition, we are commencing full-scale commercialization of our Deep TMS for OCD, which is currently the only non-invasive medical device FDA-authorized for the treatment of OCD. We continue to focus our principal commercial activity on the U.S. market in light of the market size and wide range of insurance coverage.

- ***Advance clinical trials for additional indications for Deep TMS.***

  The majority of our research and development efforts are currently focused on completing our multi-center clinical trials for treatment of smoking cessation and PTSD and pursuing other technological innovations. We are also working to expand the application to other areas as well such as forms of addictions, targeting first opioid addictions, as well as neurological indications such as MS. We intend to progress these plans ourselves and through our relationships with third-party researchers and clinical institutions in conducting clinical trials for additional psychiatric, neurological and addiction disorders. With this approach, we address psychiatric, neurological and addiction disorders that we believe present some of the most promising market opportunities for Deep TMS.

- ***Expand reimbursement coverage for Deep TMS for OCD and other approved indications in the future.***

  A key prerequisite to the successful market acceptance of Deep TMS is securing sufficient insurance/third-party payer coverage. The scope and level of coverage are also key factors in our ability to penetrate the market and to expand further use of our Deep TMS system by healthcare providers and facilities for the benefit of the larger patient population. We aim to achieve similar levels of reimbursement for Deep TMS for OCD, which was recently granted marketing authorization in the United States, and we are also working to obtain reimbursement for MDD and OCD in other jurisdictions.

- ***Develop innovative enhancements and features for our Deep TMS systems.***

  We continue to develop innovative enhancements and features for our Deep TMS systems to expand the applicability of Deep TMS to additional indications and improve the capabilities of the systems for approved indications. For example, we are currently developing a novel multichannel stimulator, which is designed to target multiple brain regions simultaneously with independent stimulation parameters, thus potentially enabling more flexible and effective treatment of various brain disorders. We believe this design enhancement would make Deep TMS even more efficient to clinicians, researchers and patients, and is potentially well-positioned for use in neurology.

- ***Increase our international commercial footprint.***

  We are working to expand our existing commercial footprint in Europe, Latin America and Israel, and pursue commercialization in additional markets, such as Japan and various Asian countries. We have exclusive distribution agreements in Japan, Mexico, Brazil and Israel, and are currently seeking additional distribution partners in other strategic markets. Through our Japanese distributor, we are in the process of obtaining regulatory approval with the Pharmaceuticals and Medical Devices Agency (PMDA) in Japan, which is a precondition to receiving reimbursement coverage under the Japanese National Health Insurance Plan.

Deep TMS for MDD

Disease Overview

MDD is a common and debilitating mental disorder characterized by physiological symptoms, such as sleep disturbance and changes in appetite, emotional symptoms, such as sadness, despair, emptiness, self-hate and critique, and cognitive symptoms, such as difficulty concentrating, memory dysfunction, suicidal thinking and faulty judgment of reality. MDD is expressed differently, and in different intensities, among patients, and significantly impacts the functioning in all aspects of life. Patients are often not diagnosed due to low levels of awareness of the disease and its symptoms by the patient and the family doctor involved, or due to prejudice related to psychotherapy. In order to be diagnosed with MDD, a patient must display symptoms that are present most of the day, nearly every day, for at least two weeks. A diagnosis of MDD is established by clinical interview and an assessment of whether a patient reports a collection of the relevant symptoms.

MDD is a recurrent disease and follows a fluctuating course over an individual's lifetime, with periods of remission and relapse. If an initial episode of MDD is resolved, the return of depressive symptoms during the first nine months thereafter is referred to as a relapse of the illness and is generally considered to be part of the same depressive episode. When depressive symptoms return more than 12 months after the initial episode of MDD is resolved, it is considered to be a recurrence of the illness and is deemed a new and distinct episode. A response to treatment is commonly measured as a clinically significant decrease in symptoms on a standardized rating scale from baseline scores. When a patient shows no or nearly no symptoms, the patient is referred to as being in remission. Experiencing one episode of MDD places an individual at an estimated 50% risk of experiencing an additional episode of MDD. Approximately 80% of those individuals who have experienced two episodes of MDD will experience an additional episode.

In people with MDD, the complex system of neuronal communication does not function properly. One of the most important discoveries in neuroscience has been the recognition that improper regulation of one or more of the three major neurotransmitters, serotonin, norepinephrine and dopamine, plays a key role in a patient's depression. This understanding has guided psychiatric drug development and the treatment of depression for more than three decades by placing a major focus on targeting chemically-based mechanisms. The relatively recent introduction of TMS as a targeted, circuit-based treatment option has reintroduced the importance of electrical mechanisms in restoring proper function to neuronal pathways to treat depression.

Market Information

According to the WHO and the NIMH, an estimated 300 million people worldwide including 16.2 million individuals in the United States develop a major depressive episode within a given year. MDD is one of the most prevalent mental illnesses across all demographics. According to the Clinical Psychology Review, MDD follows a chronic course of repeated bouts of remission and recurrence in about 50% of people affected. The chronic nature of MDD makes it the leading cause of years lost to disability in the world, and MDD patients are more likely to commit suicide. According to the

American Journal of Psychiatry, roughly 2% of MDD patients treated as outpatients, and 4% of those hospitalized because of their condition, commit suicide. In addition, studies suggest that some patients exhibit a higher mortality rate even after controlling for suicide. Due to the prevalence and severity of MDD, the treatment of the disorder is a pressing concern for mental health professionals.

We focus on the population segment for whom conventional treatment (medicinal and/or psychotherapy) of MDD has not provided the required clinical response, as patients who are treatment-resistant and are entitled to reimbursement for Deep TMS treatment. It is customary to assess that approximately half of the sufferers from the illness do not respond to the first medicinal treatment, and that one-third do not find conventional solutions to their suffering at all. In addition, even among patients who receive medicinal treatment that is found effective, many suffer from severe side effects that cause them to abandon the treatment and be left with their depressive condition. We aim to meet the enormous need of these groups of treatment-resistant patients and provide effective, non-medicinal treatment which is not accompanied by the systemic side effects of the medication on the one hand and the electroconvulsive therapy (ECT) treatments on the other hand (such as damage to memory).

Treatment Options for MDD

Treatment for patients diagnosed with MDD varies by disease severity. For patients with mild to moderate depression, first line treatment is usually psychotherapy (the treatment of mental disorders by psychological means), especially if the patient is able to identify particular stressors or sources of depressive symptoms. For some of these patients, pharmacotherapy (anti-depressant medication) may be used to supplement psychotherapy. For patients with moderate depression, pharmacotherapy with or without psychotherapy is the recommended initial treatment. TMS is a second line therapy for the treatment of a patient who has failed to achieve satisfactory improvement from prior pharmacotherapy. For patients with severe depression and later stage treatment, somatic treatments such as ECT may be an option.

The central group of anti-depressant medicines is the selective serotonin reuptake inhibitors (SSRI) and selective serotonin and norepinephrine reuptake (SNR). Drug side effects play a decisive role in treatment selection and modification, as each class of drugs is associated with a host of side effects, some more severe or more common than others. The most common side effects include gastrointestinal symptoms, sedation, insomnia, weight changes, sexual dysfunction, nervousness, sleep disruption, nausea, headaches and cardiovascular or neurological effects. Side effects may also cause patients not to adhere to the treatment or to abandon it. On initiation of anti-depressant pharmacotherapy, close monitoring for response to treatment and development of side effects is essential.

The limitations of anti-depressant medications in MDD treatment were demonstrated in the STAR*D study, a large clinical trial funded by the NIMH that enrolled more than 4,000 adult MDD patients at 41 clinical sites to examine the outcomes to a sequenced series of anti-depressant medication attempts that mimicked best practices. In the study, only 36.8% and 30.6% of patients achieved remission in their first and second medication attempts, respectively. In addition, 30-40% of MDD patients did not experience a meaningful response to anti-depressant medication. This means that there is still a significant number of patients who could benefit from an alternative treatment such as Deep TMS.

Side effects are one of the most commonly cited reasons for patients terminating the use of anti-depressants. The most troubling side effects resulting from long-term anti-depressant use are insomnia, weight gain, and sexual dysfunction. In addition, correlation was discovered between consumption of SSRI medications and actualization of suicidal thoughts in youth, and some SSRI group medicines require strict diets and medical supervision.

TMS has been used as an anti-depressant therapy since 2008. Currently, TMS for MDD is only recommended for treatment-resistant MDD patients, and payers typically require that patients fail three or more anti-depressant medications prior to receiving TMS. However, research has shown that TMS is also effective in treating depressive symptoms in patients who fail one to two anti-depressant medications. For many patients, the side effects associated with pharmacological treatments for depression are a primary reason underlying low compliance and, subsequently, low efficacy of treatment. For TMS, however, no significant side effects have been observed, other than mild headaches for a short period of up to a few hours after the treatment, and rare instances of short seizures. The few side effects associated with TMS treatment is considered one of its main advantages. The most common side effect of Deep TMS treatment is short-lasting mild pain or discomfort around the site of coil application. This side effect usually only lasts during the first week of treatment. Other adverse reaction reactions such as jaw and face pain, muscle pain, spasm or twitching, and neck pain were reported as mild or moderate and were also resolved shortly after treatment, as well as seizures in certain patients. The less severe side effects associated with Deep TMS make it an attractive option for patients.

Alternatives to pharmacological and TMS-based treatments include ECT, vagal nerve stimulation (VNS), and deep brain stimulation (DBS). ECT, the main psychotherapy alternative to TMS, is a therapy in which patients are administered brief electric currents through the brain. ECT is a non-invasive treatment carried out by a doctor under full anesthesia and muscle relaxant medicines, and patients often undergo partial hospitalization with recovery time lasting from hours to even days. While fewer treatment sessions are required (6-12 sessions) compared to TMS (20-30 sessions), each session lasts approximately an hour compared to the Deep TMS sessions that are about 20 minutes each. While ECT has high proven efficacy (70-75%) for patients with MDD, ECT's potential for serious side effects, as well as negative stereotypes surrounding the treatment, often cause patients to be reluctant to undergo ECT. ECT affects the entire brain, including parts which do not need treatment, and may cause permanent cognitive damage, including memory loss. ECT may have significant and relatively severe side effects, the most common of which are cognitive and memory loss, changes in blood pressure, muscle pains, nausea, changes in mood, headaches and pain or discomfort. ECT is currently approved for treatment-resistant depression, severe mania, schizophrenia, bipolar disorder, aggression or agitation in patients with dementia, and catatonia. It is provided usually in cases of severe MDD, where medicinal treatment is ineffective or impossible and in instances where the depression constitutes a risk to the life of the patient.

VNS and DBS are invasive therapies that can have serious side effects. Both involve implanted devices, which require surgery. In DBS, two electrodes are surgically implanted in the brain and a pulse generator is implanted into the patient's chest. The electrodes produce electrical impulses that can regulate the electrical activity of the brain. In VNS, a pulse generator is implanted on the upper left side of the chest to stimulate the vagus nerve. VNS and DBS include surgical related risks, such as infection or local damage to the recurrent laryngeal nerve, which may lead to permanent voice alteration.

Deep TMS for MDD—Our Clinical Trials

Phase III Trial Measuring Efficacy and Safety of Deep TMS

We completed a Phase III trial at 20 different sites in the United States, Canada, Israel and Germany to test the efficacy and safety of using Deep TMS to treat MDD between 2009 and 2013. The therapeutic effect was clinically meaningful in both patients who failed one to two medications and patients who failed three or more medications, indicating that Deep TMS is effective in an even more treatment-resistant population.

Based on these results, we filed a 510(k) application to the FDA for Deep TMS (using BrainsWay D) for MDD. In 2013, the FDA cleared Deep TMS for the treatment of MDD in adult patients who have failed to achieve satisfactory improvement from previous anti-depressant medication treatment in the current episode.

(a) Trial Design

This randomized, double-blind, placebo-controlled, multicenter trial investigated the efficacy and safety of Deep TMS in 212 treatment-resistant adult MDD patients. Enrolled subjects were randomized in a 1:1 ratio to undergo either monotherapy with active Deep TMS or with a sham. For active Deep TMS treatment, BrainsWay D was used at 120% stimulation intensity and a frequency of 18 Hz.

The trial was designed with three phases. The first phase was a wash-out phase in which patients slowly stopped any anti-depressants, mood stabilizers, or antipsychotics that they were previously taking. This phase lasted one to two weeks. The second phase was a four-week acute treatment phase in which patients received daily treatment with Deep TMS or a sham. The treatments were administered in a five-day sequence each week during the second phase. Measurements in respect of this phase were taken in week five. The final phase was a 12-week maintenance phase in which patients received two treatments per week of Deep TMS or a sham. Measurements in respect of the final phase were taken in week 16.

The primary efficacy endpoint was a change in the 21-question Hamilton Depression Rating Scale (HDRS) at week five (following the end of the acute treatment phase). The secondary efficacy endpoints were response and remission rates at week five. Response was defined as a reduction of at least 50% from baseline HDRS score. Remission was defined as a total HDRS score of less than 10. Tertiary efficacy endpoints included a change in HDRS score from baseline to week 16 and the response and remission rates at week 16. Safety was assessed at every treatment and additional safety evaluations included auditory threshold tests and cognitive evaluations.

Inclusion and exclusion criteria required patients to meet the following criteria:

- Anti-depressant medication-free (following washout period)
- Failure to respond to one to four anti-depressant trials or not tolerant of at least two anti-depressant treatments in the current episode
- Diagnosed with MDD with a single or recurrent episode
- Duration of current episode must be at least one month but less than seven years
- Score of at least four on the Clinical Global Impression Severity of Illness (CGI-S)
- Score of at least 20 on the HDRS
- No current (or within past year) diagnosis of other Diagnostic and Statistical Manual of Mental Disorders (DSM-IV) Axis I disorders (e.g., PTSD, OCD, other mood disorders, eating disorders, psychotic disorders, or dissociative disorders)
- No history or increased risk of seizures

During analysis, the study results were analyzed in two separate groups: the intention-to-treat (ITT) and per-protocol (PP) analysis sets. The ITT group included all subjects who met the eligibility criteria and received at least one Deep TMS treatment. Some of these patients, however, were not administered the treatment at the specified stimulation intensity of 120%. The PP patients included all subjects from the ITT group who received the protocol-specified treatment and stimulation intensity. Baseline demographic, clinical and safety assessments were performed on the ITT analysis set. Primary efficacy analysis was performed only on the PP group.

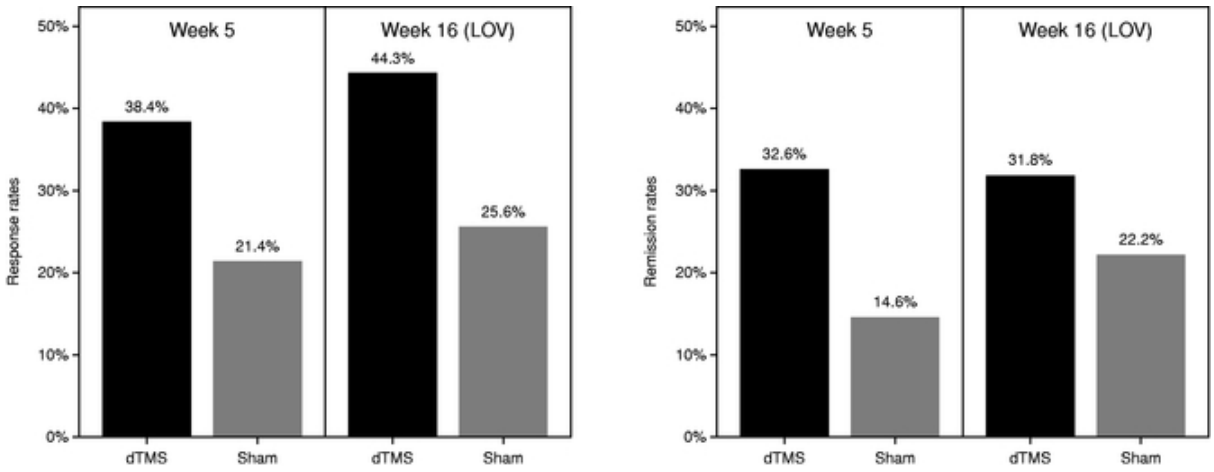
(b) Trial Results

The primary efficacy endpoint was a change in the HDRS total score from baseline through week five. The change was measured as the slope of a graph of time point versus HDRS score. The estimated slope for the Deep TMS treatment group was –6.39 while the estimated slope for the sham treatment group was –3.28. The difference between groups was statistically significant (p = 0.008) for the PP group.

The secondary efficacy endpoints were response and remission rates through week five. As shown in Figure 1, response rates were 38.4% at week five for the Deep TMS group and 21.4% at the same time point for the sham group. Remission rates were 32.6% for the Deep TMS group and 14.6% for the sham group. The difference between groups was statistically significant for both response and remission rates (p = 0.0138 and p = 0.0051, respectively).

The tertiary efficacy endpoints were changes in HDRS scores, response, and remission rates at week 16 compared to baseline (see Figure 1 below). The difference in slope between Deep TMS and sham groups was 2.47, which was statistically significant (p = 0.0259). Additionally, the response rates at week 16 were 44.3% for the Deep TMS group and 25.6% for the sham group, which demonstrated a statistically significant difference between the groups (p = 0.0086). Remission rates at week 16 were 31.8% for the Deep TMS group and 22.2% for the sham group, which was a nonsignificant difference between groups (p = 0.1492).

Figure 1. Response and Remission Rates for Deep TMS and Sham Groups at Week 5 and Week 16

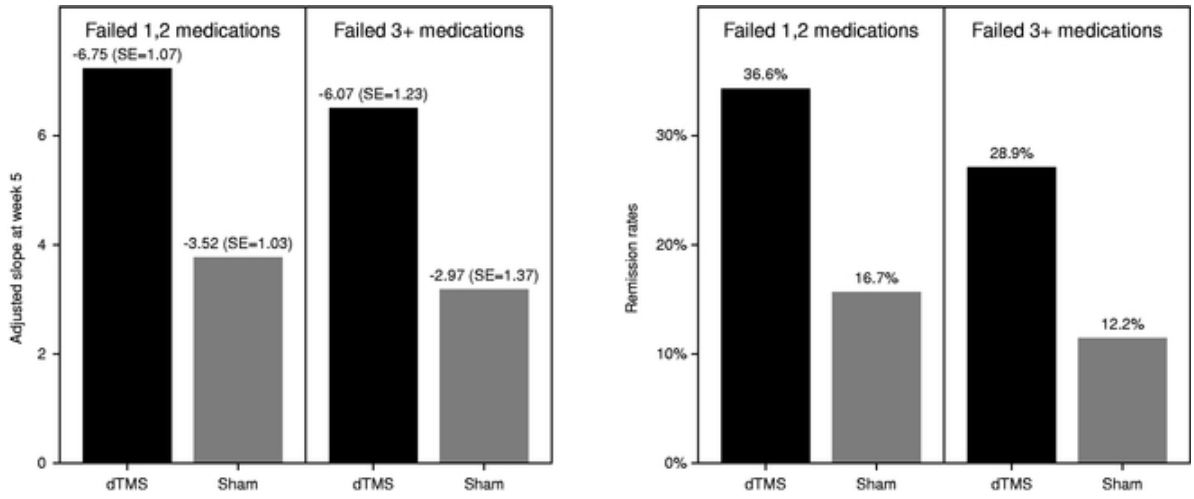


Source: Levkovitz et al., 2015

Investigators then performed a subset analysis to understand whether there were statistically significant differences in response to treatment between patients who had failed one to two anti-depressant medications compared to three or more medications. The data for this is shown in Figure 2. For the group of patients who failed one to two medications, the slope was –6.75 for the Deep TMS group compared to –3.52 for the sham group. This difference was statistically significant (p = 0.0327). For the group of patients who failed three or more medications, the slope of HDRS score change was –6.07 for the Deep TMS group compared to –2.97 for the sham group. However, this difference did not reach statistical significance (p = 0.0958).

For the group of patients who failed one to two medications, remission rates were 36.6% in the Deep TMS group and 16.7% in the sham group. This was a statistically significant difference (p = 0.032). For the group of patients who failed three or more medications, remission rates were 28.9% for the Deep TMS group and 12.2% for the sham group. This difference was just outside of significance (p = 0.057). The data suggest that Deep TMS treatment can achieve high rates of remission even in patients who have been more resistant to medications.

Figure 2. HDRS Score Change (Slope) and Remission Rates for Deep TMS and Sham Groups in Subpopulations of Patients Who Failed 1 to 2 Medications versus Patients Who Failed 3+ Medications



Source: Levkovitz et al., 2015

(c) Safety Results

Overall, Deep TMS treatment was safe and well-tolerated by patients. The most common reported side effects within the Deep TMS group are as follows: 26.7% of patients experienced headaches, 5.0% experienced application site pain, and 3.0% experienced application site discomfort. The most common reported side effects within the sham group are as follows: 18.9% of patients experienced headaches, 3.6% experienced insomnia, and 2.7% of patients experienced back pain. One subject experienced a seizure, following excessive consumption of alcohol on the night before treatment that was not reported to the treating physician or operator at the time of treatment. This was considered device-related, albeit with the caveat that withdrawal from alcohol may have led to a reduction of seizure threshold and consequently to this seizure during Deep TMS.

Longer-Term Remission and Response

As demonstrated our pivotal multicenter study for MDD (as described above) and in another third-party study (Harel et al. (2014)), MDD patients who achieved remission or response after an acute course of Deep TMS treatment of 20 sessions over four weeks were able to sustain the therapeutic effect by continuing to undergo Deep TMS treatment beyond the treatment course. Additionally, our trial and the Harel study showed that among MDD patients who did not achieve a response after an acute course of Deep TMS treatment, the longer such patients continued to undergo Deep TMS therapy, the more likely they were to achieve remission or response. This result was also demonstrated in another study examining the results of our multicenter trial (Yip et al. (2017)), which found that 61% of the patients who did not achieve response after an acute course of treatment achieved a response after an additional four weeks of twice weekly Deep TMS treatment. These studies suggest that Deep TMS may continue to be effective beyond the standard acute treatment course, potentially broadening its clinical applicability.

Deep TMS for OCD

Disease Overview

OCD is a common, chronic and long-lasting disorder in which a person has uncontrollable, reoccurring thoughts (obsessions) and behaviors (compulsions) that he or she feels the urge to repeat over and over in a manner that can interfere with all aspects of life, such as work, school, and personal relationships.

Individuals with OCD exhibit obsessions, compulsions, or both. Obsessions are reoccurring ideas, thoughts, or impulses that cause anxiety that individuals experience excessively and without cause. Compulsions are defined as repetitive behaviors or thoughts that are performed on a strict schedule and appear to have a purpose to the patient exhibiting the behavior or thought. Even if an individual is aware that the thoughts are inappropriate or irrelevant, he or she still might not be able to suppress the thought or the corresponding action. Obsessions tend to be related to contamination, cleanliness, or orderliness, and so compulsions frequently involve cleaning, washing, counting, arranging things in a particular way or repeatedly checking on things. These symptoms can interfere with all aspects of life, such as work, school, and personal relationships. While a wide spectrum of individuals may exhibit OCD-like symptoms, in order to be diagnosed with OCD, he or she must exhibit symptoms that cause severe distress or disrupt a person's functioning for more than one hour per day.

OCD can severely disrupt an individual's daily functioning, and many individuals suffering from OCD have a lower quality of life and significantly more mental distress compared to unaffected individuals. A survey of OCD patients found that 73% of patients have weakened family relationships, 62% have weakened friendships, and 40% are chronically underemployed or unemployed. Patients with both OCD and MDD, a frequent combination of disorders, experience the most severely impacted quality-of-life. Additionally, individuals with OCD may feel embarrassment or shame regarding their obsessions and compulsions, contributing to the low treatment-seeking rate of approximately 36%.

Market Information

Despite variances in estimates of the incidence of the disorder, we believe that a majority of research reports that 2% of the global population suffer from OCD sometime during their lifetime. According to the National Institute of Mental Health, approximately 1% of the adult population in the United States suffered from OCD in the past year. Based on these data, we estimate that approximately 2.24 million adults in the United States suffer from OCD annually. Of these people, we estimate approximately 820,000 patients have sought treatment for OCD and approximately 410,000 are treatment resistant. Of that population, 50.6% of cases are characterized had severe impairment.

Another 34.8% of adults with OCD had moderate impairment, and 14.6% had mild impairment. The average age of onset is 19 years old.

There is a significant overlap of patients experiencing MDD and those experiencing OCD. Researchers found that MDD was 10 times more prevalent in OCD patients compared to the general population. Additionally, roughly 30% of OCD patients have concurrent OCD and MDD at the time of evaluation and 60 to 80% of OCD patients experience a depressive episode over the course of their lifetime. Frequently, depressive symptoms follow OCD, which suggests that the depressive symptoms occur as a response to the distress caused by OCD.

Treatment Options for OCD

OCD is generally considered to be one of the most difficult psychiatric diseases to treat. The wide variability in the expression of the disease and the frequent co-morbidity (simultaneous presence) with MDD and other anxiety disorders has complicated the development of an effective, targeted treatment for OCD. The accepted treatment for OCD is medicinal treatment, psychotherapy or a combination of both. However, up to 40% of patients do not respond to these treatments sufficiently.

While 60-70% of patients respond or partially respond to treatment with anti-depressant medications such as SRIs or SSRIs, there is a high relapse rate of approximately 60% when medications are stopped. The high relapse rate suggests that pharmacological treatments should be continued over an extended period of time in order to have continued effect. In addition, when testing a new pharmacological treatment on a patient, it takes 10 to 12 weeks to determine if the medication is bringing about clinically significant improvements in symptoms. Over half of patients experience a 25% to 35% decrease in symptoms within 10 to 12 weeks, but symptoms rarely disappear entirely. In addition, 40-60% of OCD patients do not experience a meaningful response to pharmacological treatment.

Deterrents to treatment include the often severe side effects of medications. Tricyclic anti-depressant medication, generally considered to be an effective first-line OCD treatment, is known for its particularly strong side effect profile. The medication can cause heightened risk of seizures, weight gain, sleepiness, tremor, dry mouth, nausea, constipation, visual changes, sweating, and sexual dysfunction. All other OCD medications may cause similar side effects, which make it challenging for patients to retain a high quality of life while also working toward disease remission. Upon initiation of pharmacological treatment for OCD, it is critical to closely monitor for development of any adverse effects.

Psychotherapy can be an effective treatment for adults and children with OCD. The treatment may involve controlled exposure to the source of the obsession and practice of refraining from performance of the compulsion. Research shows that certain types of psychotherapy, including cognitive behavior therapy (CBT) and other related therapies (e.g., habit reversal training) can be as effective as medication for many individuals. Research also shows that a type of CBT called Exposure and Response Prevention (EX/RP) is effective in reducing compulsive behaviors in OCD, even in people who did not respond well to anti-depressant medication. For many patients EX/RP is the add-on treatment of choice when anti-depressant medication does not effectively treat OCD symptoms.

Deep TMS presents a novel, FDA-authorized treatment for OCD. In August 2018, the FDA classified and provided marketing authorization for Deep TMS for OCD as an adjunct treatment (i.e., to be used in conjunction with first-line treatment, such as anti-depressant medication or CBT) for adult patients suffering from OCD. Deep TMS has the unique ability to simultaneously influence a network of specific regions in the brain related to OCD. In addition, it offers a direct effect over deep regions in the brain associated with the disorder. The effects of the treatment begin within a relatively short time period and the duration of the entire treatment plan is shorter compared to a medicinal treatment. Deep TMS therapy for OCD has not demonstrated any systemic side effects, and we believe

that Deep TMS presents an attractive alternative to existing treatment options for OCD because anti-depressant medications, due to their side effects, often lead to cessation of treatment by the patient and as a result, relapse of OCD symptoms.

The NIMH is supporting research into new treatment approaches for people whose OCD does not respond well to the usual therapies. These new approaches include combination and add-on (augmentation) treatments, as well as novel techniques such as deep brain stimulation (DBS). To the best of our knowledge, our Deep TMS system is the only non-invasive medical device that has obtained FDA marketing authorization to treat OCD.

Deep TMS for OCD — Our Clinical Trials

Phase III Trial Measuring Efficacy and Safety

We completed a Phase III trial at 11 sites in the United States, Israel and Canada to test the efficacy and safety of Deep TMS as a treatment for OCD, which was conducted from 2014 through 2017. In this trial, Deep TMS met its safety and efficacy endpoints and based on these results, we filed a *de novo* application to the FDA for the Deep TMS (using Brainsway OCD) in this indication. In August 2018, the FDA classified and granted marketing authorization for Deep TMS as an adjunct treatment for adult patients with OCD to be used together with other first-line therapies.

(a) Trial Design

This double blind, placebo-controlled trial tested the efficacy and safety of Deep TMS in the treatment of 94 treatment-resistant OCD patients. Enrolled subjects were randomized to either treatment with active Deep TMS or a sham. Deep TMS for OCD was used for all treatment sessions, each of which lasted 18.3-minutes. Brainsway OCD is specifically used in OCD treatment because it targets the anterior cingulate cortex, a region believed to be affected by OCD.

The trial consisted of three phases. The first phase, lasting one to two weeks, was the screening phase, during which anti-depressant medications other than SSRIs were tapered down and washed out (i.e., to make sure that patients take during the trial only medications that were approved by the protocol (such as SSRIs), and that they remained stable on these medications). Following the screening phase, patients entered into a six-week treatment phase. During the first five weeks of the treatment phase, patients received five consecutive sessions per week, followed by one week with four sessions (29 total treatment sessions). The third phase was the follow-up, in which patients were assessed in week six after their final treatment.

The primary endpoint measure was the Yale-Brown Obsessive Compulsive Scale (YBOCS), which is a score ranging from 0 to 40, with higher scores indicating greater severity of OCD symptoms. The secondary efficacy endpoint measures were response rate at weeks 6 and 10, partial response rate at weeks 6 and 10, and remission rates at week 6. Secondary safety endpoint measures included the number of adverse events, physical and cognitive evaluations, and vital signs.

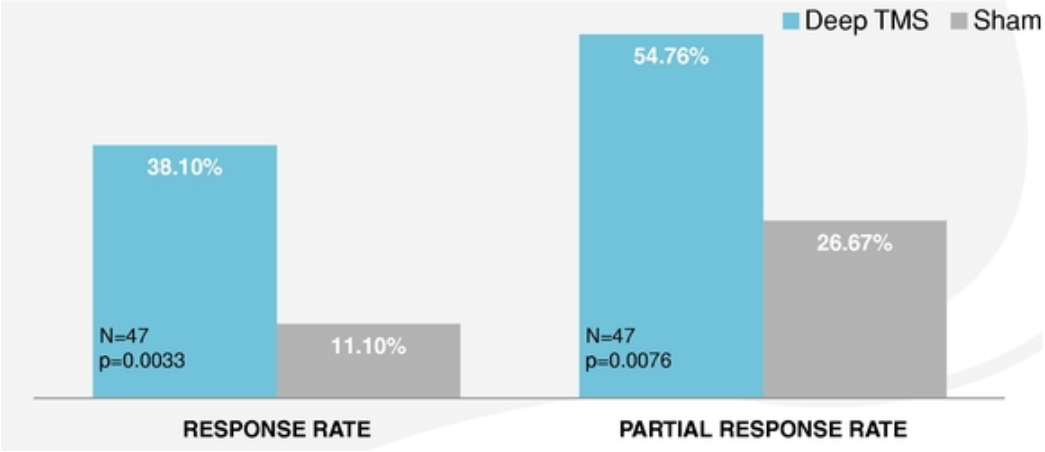
Inclusion and exclusion criteria required patients to be diagnosed with OCD, have a YBOCS score of greater than 20, and not be diagnosed with any severe personality disorders.

(b) Trial Results

After six weeks of treatment, the Deep TMS treatment group had statistically significant improvement in YBOCS score compared to the sham treatment group. The adjusted mean YBOCS score decreased by 6.04 points in the Deep TMS group and by 3.27 points in the sham control group. The difference between the slopes of 2.78 points across six weeks between the treatment arms was statistically significant (p-value: 0.0127), and the effect size at week six assessment was an increase of 0.69 points. As shown in Figure 3, 38.1% of the Deep TMS treatment group achieved a response

compared to 11.1% of the sham treatment group. Furthermore, 54.8% of the Deep TMS treatment group achieved a partial response, compared to 26.7% of the sham treatment group. The differences between groups were statistically significant for both response rate (p = 0.0033) and partial response rate (p = 0.0076).

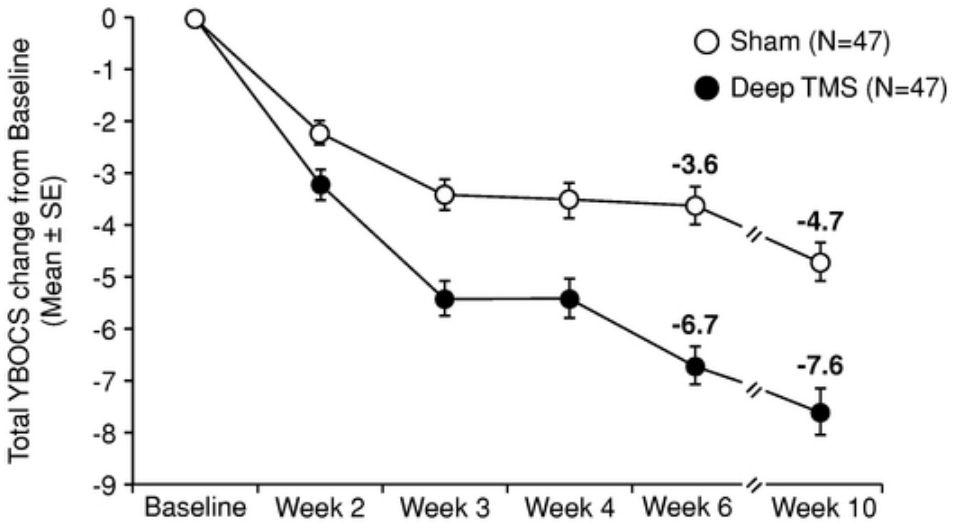
Figure 3. Response and Partial Response Rates for Deep TMS and Sham Treatment Groups



One month after the end of treatment (10 weeks after baseline), patients retained clinical improvement of symptoms, and these measures (YBOCS change and response rate) were significantly better in the Deep TMS group compared to the sham group (p=0.03 for YBOCS change and p=0.0057 for response rate).

Figure 4 highlights the continued decrease in unadjusted mean YBOCS score from baseline over the ten-week period.

Figure 4. Total YBOCS Score Change from Baseline over 10-Weeks for Deep TMS and Sham Treatment Groups



Sales and Marketing

United States

The United States is our primary and most strategic market, representing approximately 90% of our revenues for the year ended December 31, 2017. We operate in the United States through our wholly owned subsidiary, Brainsway USA, Inc., as a direct marketing and sales channel, engaging in the marketing, sale and support and logistics independently in the United States. We currently have 21 sales and marketing employees, including 18 sales and marketing employees at our U.S.-based subsidiary.

In the United States, we sell or lease Deep TMS systems by one of the following methods: (i) a fixed-fee lease model in which the Deep TMS system is leased to a customer for a fixed annual fee, with a term of three to five years, for unlimited use and including warranty and support; (ii) a risk share model in which the Deep TMS system is leased to a customer which pays based on the usage of the system, subject to an annual minimum amount; and (iii) a sales model in which the Deep TMS system is sold to the customer for a fixed purchase price, with additional potential revenue from warranties paid for the system for each year beginning the second year from purchase. These three models are designed to facilitate market penetration by addressing the different needs and risk tolerance among our customer base. In the beginning of 2017, we shifted our sales and marketing focus in the United States from the sales model to the fixed-fee lease model and the risk share model, which we anticipate will increase market acceptance of our Deep TMS systems. While the lease and sales models enable unlimited use of the system by the customer in exchange for higher committed revenues, the risk share model allows for a lower market entry price with higher potential upside to us for customers that exceed the contracted minimum usage amount.

For the nine months ended September 30, 2018, approximately 60% of our Deep TMS systems installed base for MDD utilized the fixed-fee lease model, approximately 30% utilized the sales model and approximately 10% utilized our risk share model. We have started, and expect to continue, to commercialize Deep TMS for OCD based solely on the risk share model, which charges per session and per treatment, in an effort to achieve greater market acceptance for that indication.

The training for operation of our Deep TMS system is not complex and requires about a day of training which includes theoretical learning and a number of practical hours of practice of placing the helmet on the head of the patient and providing treatment. Deep TMS for OCD requires additional training on triggering the patient's OCD symptoms prior to administration of the treatment.

After installation of our system, we offer high quality service, technical support and repair to customers. Customers leasing the device (whether fixed lease or risk share model lease) receive support including maintenance and warranty for repairs and replacements during the full term of the lease. In contrast, customers purchasing the device receive this support for the first year following purchase. Thereafter, the warranty and support can be extended on a yearly basis by paying a set fee.

Our marketing activities include, amongst other things, corporate presence in major commercial and professional conferences, press releases, advertising, participation in open house and other similar events, social media, Search Engine Optimization (SEO) and other internet-based promotional campaigns and release of both direct and online marketing materials, which are all designed to increase the use of our systems.

Outside of the United States

Approximately 10% of our revenues for the year ended December 31, 2017 were generated outside of the United States. A significant part of our sales outside the United States are made indirectly with local distributors and agents. Most of our sales outside the United States are made only via the

purchase model. Our primary focus is on selling to hospitals, medical centers and clinics dealing with the treatment of psychiatric neurological and addiction illnesses and disorders.

Our non-U.S. sales are managed both by our internal team in Israel and by local agents in various countries. We have exclusive distribution agreements in Japan, Mexico, Brazil and Israel. In these agreements, the distributor receives an exclusive right to distribute the systems of our Deep TMS systems in the relevant territory. The exclusivity is contingent upon fulfillment of certain quotas, or pre-defined minimum orders of a number of systems per period. We have the right to cancel the exclusivity of the distributor if the distributor fails to fulfill the set targets. The distributor is required to pay us for each Deep TMS system installed in the territory. In some instances, we reserve the right to engage directly with the customer in which case it pays the distributor a commission derived from the transaction with the customer.

The duration of these agreements varies between distributors and ranges between three and ten years. In territories in which we use a local distributor, the distributor is generally responsible for obtaining and maintaining the regulatory approvals required for marketing of Deep TMS systems in the territory and for the installation, training and maintenance of the systems in the relevant territory. In addition to the regulatory approval requirements, the distributor is also required to implement efforts to obtain reimbursement and or coverage, as well as to market Deep TMS systems in the territory, including, in some cases, holding the marketing authorization in their name. For example, through our Japanese distributor, we are in the process of obtaining regulatory approval with the PMDA in Japan, which is a precondition to receiving reimbursement coverage under the Japanese National Health Insurance Plan.

We aim to increase our marketing and sales outside the United States by means of distributors in other countries, and we are currently seeking additional distribution agreements. Marketing and the success of penetration in each country is contingent on a variety of factors, including, among others, the existence of regulatory approvals, the availability of reimbursement, the support of key opinion leaders and the ease and ultimate success of market participants in adopting our technology.

Our Clinical Pipeline

Smoking Cessation

Smoking is one of the leading causes of death in developed countries. The addiction to nicotine, similar to the addiction to drugs and alcohol, activates the limbic system and causes uncontrollable desire to smoke. Approximately 38 million U.S. adults smoke cigarettes, and 480,000 die from smoking each year. The global smoking cessation market is estimated at $3 billion per annum, and this market value is anticipated to increase. The most common smoking cessation option is nicotine replacement therapy, which is the affixing of patches to the body or the chewing of gum which secrete decreasing concentrations of nicotine in a manner which may assist physical withdrawal. However, this method does not treat the psychological-behavioral component of the addiction, and therefore there is a high probability that the patient will return to smoking if nicotine patch treatment is discontinued.

We currently have a double-blind, randomized, multicenter study in smoking cessation ongoing, with subject enrollment almost completed. In this study we were seeking to enroll about 234 subjects, assuming 164 individuals complete the study across 10 sites in the United States and Israel. To date, we have enrolled over 240 patients (to ensure we will have a sufficient number of completers). Individuals in the study receive either Deep TMS or sham treatment over the course of six weeks (with five daily sessions during the first three weeks and one weekly session during the subsequent three weeks), and a follow-up visit in four months (at week 16 from baseline) thereafter. The primary endpoint is a comparison of the four-week continuous quit rate, as a measure of abstinence from smoking, between active and sham treatment groups. The secondary endpoint is the number of cigarettes smoked per day. We expect to receive the results of this trial in early 2019.

PTSD

PTSD is psychiatric disorder in the field of trauma and stress related disorders, which develops subsequent to exposure to an actual or threatened death, serious injury or sexual violation. PTSD may impair patients' quality of life for years, as well as their ability to function normally in daily life. The incidence of PTSD is higher among war veterans. We estimate that the U.S. patient population for PTSD is approximately 13 million. Existing treatments include CBT and anti-depressant medications.

In 2014, we commenced a double-blind, randomized, multicenter clinical study of Deep TMS for PTSD (using the same coil design as that utilized in BrainsWay OCD) in our clinical study at 12 leading institutions, including, among others, MUSC, Stanford, University of Florida, and the CAMH in Toronto. To date, we have enrolled 57 patients out of 176 targeted patients. Individuals in the study receive either Deep TMS or sham treatment over four weeks (three sessions per week), with two booster sessions at week five and nine. In collaboration with Stanford University, we are also investigating the use of electroencephalogram (EEG) measurements to help increase efficacy and accuracy based on an individualized approach based on identified biomarkers. We expect to receive the interim results of this trial in the second half of 2019.

Additional Potential Deep TMS Applications

Our primary focus for additional potential applications for Deep TMS are bipolar disorder; opioid addiction, which we believe will be a natural outgrowth from our clinical work in smoking cessation; and indications in neurology, including MS and post-stroke rehabilitation. The U.S. patient population for opioid addition, MS and post-stroke rehabilitation is approximately 2 million, 1 million and 795,000, respectively. Of these indications, we have commenced a Phase III pivotal trial of Deep TMS for bipolar disorder.

We have also conducted double-blind, placebo-controlled trials evaluating Deep TMS for Alzheimer's disease, autism spectrum disorders such as Asperger syndrome, alcohol addiction, attention deficit hyperactivity disorder (ADHD), Parkinson's disease and chronic neuropathic pain. Further clinical study in these indications could pave the way for marketing authorizations for new indications in the United States and expand the potential for treatment to a wider range of patients. Factors that contribute to how we prioritize the pursuit of certain clinical studies include, but are not limited to, the strength of our feasibility clinical data, market potential, required budget and ease of conduct of the trial.

Competition

The industry for the treatment of mental health diseases, disorders and other conditions is intensely competitive. Our currently marketed Deep TMS System is, and any future indications we develop and commercialize will be, subject to intense competition. Our Deep TMS system for MDD competes with existing anti-depressant drugs, other TMS therapies and to a lesser degree, later-stage/invasive treatments such as ECT, VNS and DBS. Our Deep TMS system for OCD also competes with existing medications and other available treatments, although faces less direct competition as we are the only FDA-approved TMS product for this indication. The industry in which we operate is subject to rapid change and is highly sensitive to the introduction of new products or other market activities of current or new industry participants. Our competitors may be larger and have greater resources than us, and may develop treatment options that receive faster regulatory approvals and/or are more rapidly adopted by clinicians and patients. Our competitors compete with us on the basis of efficacy and safety, regulatory approvals, price and availability of reimbursement from third-party payers, ease of use/administration of the treatment option, and reputation and market trends. Key competitive factors affecting the commercial success Deep TMS System are likely to be efficacy, safety and tolerability,

reliability, convenience and time frame of administration, market acceptance of our products relative to alternative treatments and reimbursement.

Competitors that sell other forms of TMS therapy for MDD include Neuronetics, Magventure, Magstim, MAG & More, Cloud TMS and Nexstim, that compete directly with us. Their systems are based on focal TMS coils and are FDA-cleared for MDD only, although there is one other company (eNeura) that is marketing a device that is FDA-cleared for treating pain associated with migraine headaches using single-pulse TMS. By contrast, our unique Deep TMS H-Coils are designed to address a number of different brain disorders. None of our competitors in the MDD market is currently FDA-cleared for an OCD indication, and thus we are the only company currently with marketing authorizations for MDD and OCD.

We also face competition from pharmaceutical and other companies that develop competitive products, such as anti-depressant medications, with certain competitive advantages such as widespread market acceptance, ease of patient use and well-established reimbursement. In addition, we may face competition from ketamine, which is used as an anesthetic to treat a variety of brain disorders. Our commercial opportunity could be reduced or eliminated if these competitors develop and commercialize anti-depressant medications or other treatments that are safer or more effective than Deep TMS. At any time, these and other potential market entrants may develop treatment alternatives that may render our products uncompetitive or less competitive.

We are also subject to competition from invasive neuromodulation therapies such as ECT, VNS and DBS. Major players in this space include Medtronic, St. Jude's Medical, Cyberonics and Boston Scientific Corporation. For example, the VNS system developed by Cyberonics is FDA-approved for MDD.

In addition, we may face competition in the future from other non-invasive treatments for MDD. Examples of non-invasive treatment options in early development include low-intensity and low-frequency ultrasound (LIFU), transcranial laser therapy and infrared therapy. We cannot predict whether any of these or any other treatment options will succeed in clinical trials or be commercially marketable in the future.

Intellectual Property

Our success depends in part on our ability to obtain and maintain protection for our proprietary Deep TMS technology, its therapeutic applications, and related trade secrets and know-how, to operate without infringing the proprietary rights of others and to prevent others from infringing our proprietary rights. The core technology of our Deep TMS based on H-Coils is covered by our patents.

Our intellectual property portfolio consists principally of patents and pending patent applications related to our Deep TMS technology that are either exclusively licensed to us for commercialization on a worldwide basis from (1) agencies of the U.S. Public Health Service (PHS) within the U.S. Department of Health and Human Services (DHHS), and (2) Yeda Research and Development Company Limited, or Yeda, the commercialization arm of the Weizmann Institute for Science (Weizmann Institute) or are owned by us. These include a total of 16 issued U.S. patents, 4 pending U.S. pending applications, 26 issued patents in other jurisdictions (counting Europe as one jurisdiction), and 22 pending patent applications in other jurisdictions.

Our strategy is to seek to protect our proprietary position by, among other methods, filing U.S. and foreign patent applications related to our proprietary technology, inventions and improvements that are important to the development of our business. Our intellectual property rights outside of the United States are principally in Europe (France, Italy, Sweden UK and Germany), Canada, Australia, Japan, Hong Kong and Israel. Patents related to our Deep TMS technology may provide future competitive advantages with claims related to aspects of the structure of our coils and methods of

administration of treatment for applications of such technology. We also rely on our trade secrets, know-how and continuing technological innovation to develop and maintain our proprietary position. We look to defend our Deep TMS technology by asserting our intellectual property rights, where it is determined to be necessary, to preserve our rights and gain the benefit of our technological investments. We seek to obtain patents in connection with the technology that we have developed as part of our strategy for protection of our intellectual property, including technology covered under our license agreements with the PHS and Yeda.

The claiming strategy in each of our patent applications is based on the advice of our patent counsel and our business model and our business needs are taken into consideration. We file patent applications containing claims seeking protection of our proprietary technologies and products, as well as all new applications and/or uses we discover or develop for existing technologies and products, assuming these are strategically valuable. We continuously assess the number and types of patent applications, as well as the pending and issued patent claims, to ensure that appropriate coverage and value are obtained for our systems and methods, given the governing law and the corresponding patent office rules and regulations. In addition, claims may be modified during patent prosecution or additional claims added to meet our intellectual property and business needs.

Patents and Patent Applications

Our first group of patents (Patent Family A) relates to the H-Coil technology in general: H-Coil for MDD (BrainsWay D), the H-Coil for OCD (BrainsWay OCD) and to future products we are developing, including one that is the subject of pivotal multicenter clinical trials expected to be completed soon: H-Coil for smoking cessation. This group of patents has been exclusively licensed to us from the PHS, and includes two issued U.S. patents and seven issued patents in other jurisdictions. The issued patents are set to expire in 2024 in the U.S. and in 2021 in other countries.

Our second group of patents (Patent Family B) relates to additional design features of the BrainsWay D and also covers some future products we are developing. This group of patents has been licensed to us from the PHS and from Yeda, and includes six issued U.S. patents, eight issued patents in other jurisdictions, and three pending patent applications in other jurisdictions. The issued patents related to BrainsWay D are set to expire in 2025 in the U.S. and in 2026 in other countries, not taking into account any potential patent term adjustment or extension that may be available in the future.

Our third group of patents (Patent Family C) relates to a family of central base coils including BrainsWay OCD and also some future products that we are developing. This group of patents is owned by us, and includes two issued U.S. patents, one pending U.S. patent application, two issued patents in other jurisdictions, and five pending patent applications in other jurisdictions. The issued patents are set to expire in 2033 in the U.S. and in 2034 in other countries, not taking into account any potential patent term adjustment or extension that may be available in the future.

Our fourth group of patents (Patent Family D) relates to a family of unilateral coils including BrainsWay D and also some future products we are developing. Patent Family D is owned by us, and includes one issued U.S. patent, two issued patents in another jurisdiction and three pending patent applications in other jurisdictions. The issued patents are set to expire in 2033 in the U.S. and in 2034 in other countries, not taking into account any potential patent term adjustment or extension that may be available in the future.

Our fifth group of patents (Patent Family E) consists of utility model patent applications for BrainsWay D and BrainsWay OCD. This group of patents (Patent Family E) is owned by us, and includes two pending Chinese Utility Model patent applications: one for BrainsWay D and another one for BrainsWay OCD.

A sixth group of patents (Patent Family F) relates to a family of circular coils including the H-Coil for smoking, the subject of pivotal multicenter clinical trials, as well as some other future products we are developing. This group of patents (Patent Family F) is owned by us, and includes two issued U.S. patents, one issued patent in another jurisdiction and four pending patent applications in other jurisdictions. The issued patents are set to expire in 2033 in the U.S. and in 2034 in other countries, not taking into account any potential patent term adjustment or extension that may be available in the future.

Additional families of issued patents and pending patent applications relate to a multichannel stimulator we are developing as an enhancement to our Deep TMS system, which we see as the next generation of our products, several H-Coil designs which may be future products, capabilities to address additional medical conditions such as the need to open the blood brain barrier, and biomarker research using Deep TMS with an EEG that we are currently conducting. These include three issued U.S. patents, three pending U.S. patent applications, six issued patents in other jurisdictions, and five pending patent applications in other jurisdictions. Patent applications in these families, if issued, are set to expire in 2028, 2029, 2033 and between 2037 and 2039, not taking into account any potential patent term adjustment or extension that may be available in the future.

The patent positions of companies like ours are generally uncertain and involve complex legal and factual questions that may vary from one jurisdiction to another. Our ability to maintain and solidify our proprietary position for our technology will depend on our success in obtaining effective claims and enforcing those claims once granted. We can provide no assurance that our patent applications or those patent applications that we in-license will result in the issuance of any corresponding patents (other than any allowed patent applications, which normally result in the issuance of a patent after the applicant has paid the required issue fee). The inability of any such patent applications to be allowed may harm our ability to protect our intellectual property, our ability to compete in the neuromodulation market, and our results of operations. Our issued patents and those that may be issued in the future, or those licensed to us, may be challenged, narrowed, circumvented or found to be invalid or unenforceable, which could limit our ability to stop competitors from marketing related products. Neither we nor our licensors can be certain that we were the first to invent or first to file for the inventions claimed in our owned or licensed patents or patent applications which may also affect our ability to assert the patents against others. In addition, our competitors may design around our patents or any technology developed by us, and the rights granted under any issued patents may not provide us with any meaningful competitive advantages against these competitors. Furthermore, because of the extensive time required for development, testing and regulatory review of a potential product, it is possible that, before our future product can be commercialized, any related patent may expire or remain in force for only a short period following commercialization, thereby reducing any advantage of the patent. See "Risk Factors—Risk Relating to Intellectual Property" in this prospectus.

License Agreements

The core technology for Deep TMS is exclusively licensed to us for commercialization on a worldwide basis from the PHS and Yeda.

PHS License Agreement

The initial discoveries of the Deep TMS technology and the feasibility studies for implementation of the technology were carried out in the framework of research performed at NIH by the scientific founders of our Company prior to its formation. The rights for such discoveries are owned by the DHHS and are now licensed to us by the PHS, an agency within the DHHS. Subsequent to these discoveries, applications were filed for registration of Patent Family A and Patent Family B (described under "—Patents" above) covering the H-Coils developed in the course of this research.

In 2003, we entered into a license agreement with the PHS, pursuant to which we were granted (i) an exclusive license to develop, manufacture, use, import and sell any product or treatment which is created or based on the patents and which deals with TMS and (ii) the right to enter into sublicense agreements, subject to approval of the PHS. The U.S. government was granted an irrevocable, nonexclusive, nontransferable royalty-free license for use of any invention in connection with the patents, throughout the world, for the benefit of the U.S. government, a foreign government and other international organization under the provisions of a treaty or agreement applicable to the U.S. government at such time. In addition, the PHS is entitled to grant academic or commercial bodies a nonexclusive license for use of the patents for advancement of basic research only, subject to our consent.

We are required to pay royalties consisting of 2% of our net sales or payments received from sales or leases of our Deep TMS systems using the licensed technology. In addition, we are required to pay a royalty of 8% of from the net cash proceeds we receive from any sublicenses, so long as the underlying intellectual property is valid and enforceable in the relevant territory.

The PHS is responsible for registration and defense of Patent Family A, subject to indemnification by us for registration expenses. We are responsible for registration and defense of the Patent Family B and are required to bear all related expenses.

The PHS license agreement is valid up until the expiration of the last to expire of the licensed patent rights under the agreement. The PHS may cancel the agreement in the event of, among others, (i) a fundamental breach by us, (ii) we enter into involuntary liquidation proceedings or shall become insolvent, (iii) we have not achieved our milestones under the agreement (all of which have been achieved as of the date hereof), (iv) we have maliciously made a false statement or has omitted a material fact in an application for a license or in any other report required under the agreement, (v) we do not make the product based upon the patents accessible to the public after commencement of the commercial marketing of the product or (vi) we are unable to bring the product to a level of safety which it must reach in order to license the product, in each case, subject to a 90-day cure period (other than in respect of clause (ii) above). We may cancel the agreement at any time with 60 days' notice, subject to payment of any outstanding royalties.

If the PHS license agreement is terminated as a result of the expiration of the first registered patent under the agreement (as described above), we may continue to market and sell the products and processes in any country in which the patent is expired, without an obligation to pay royalties or any other payment whatsoever to the PHS.

Yeda License Agreement

In 2005, we entered into a research and licensing agreement with Yeda, which, as amended from time to time, we refer to as the Yeda license agreement, pursuant to which we licensed certain technologies developed at the Weizmann Institute in studies conducted by Prof. Avraham Zangen, the scientific founder and neurobiological advisor of the Company, in the field of treatment of depression using TMS technology. Under the Yeda license agreement, all of the rights, including the rights to registration of patents, rights and inventions, information and/or other results which shall arise from the research, referred to as the "licensed technology", remain exclusively owned by Yeda. The Yeda license agreement grants us an exclusive license to use the licensed technology, throughout the world, for performance of research and development, manufacture, commercialization and sale of systems for medical treatment in the field of TMS treatment. The license is valid with regard to every product up to the expiration or revocation date of the latest patent registered under the agreement in a particular country, provided that the date of expiry of the license shall be extended to a period of 15 years commencing on the date of first commercial sale of the product in such country. Yeda reserves the right to make use of the information which shall be developed for academic and research purposes

only, including its publication, subject to various restrictions set forth in the agreement. We have agreed to lend to Yeda, without consideration, one Deep TMS system, which it shall use for academic research purposes only. We have the right to grant sublicenses subject to the fulfillment of conditions specified in the agreement.

We and Yeda have agreed to cooperate in order to seek patent protection with regard to the licensed technology, to defend any patents licensed under the agreement against any infringement claims and to bring claims against third parties who are infringing the patents licensed under the agreement. The patents are to be registered in the name of Yeda, and where possible, at our request, we shall be registered as the holder of the exclusive license for use of the patent. We have agreed to pay all expenses related to registration and defense of the patents under the Yeda license agreement, and in the event that we are not interested in registration of a patent with regard to the licensed technology, Yeda is permitted to register such patent at its expense.

In addition, under a recent amendment to the Yeda agreement, we received an exclusive option to in-license certain intellectual property rights owned by Yeda relating to an innovation known as "rotational field TMS" which involves the operation of two orthogonal coils to induce a rotating field in the brain. This method can stimulate neurons in various orientations, and may increase the efficacy of TMS for numerous applications.

Under the Yeda license agreement, we have agreed to pay to Yeda royalties as follows:

(i) 1% of net sales/leases of Deep TMS systems based upon Patent Family A and Patent Family B (which include technology licensed from PHS);

(ii) 3% for the first $10 million of net sales/leases, and 2% for net sales/leases over $10 million, for all other Deep TMS products based solely on Patent Family C (which is licensed exclusively from Yeda); provided, however, in the event the products are sold to a sub-licensee and are thereafter sold by such sub-licensee, the royalties paid to Yeda will be based on the higher of the net sales/leases of the product by the licensee or the net sales/leases of the sale by the sub-licensee; and

(iii) 4% of the net cash proceeds that we receive in respect of granting sublicenses or options for sublicenses (8% for Patent Family C).

If we exercise our right to add the additional rotational field TMS innovation, then to the extent products based on this technology are commercialized we will have to pay Yeda royalties, either at increased rates ranging from an additional 1.6%-2% for "combined products" (which also include innovations covered by previous agreements), or at a fixed rate of 5% for products based exclusively on the rotational field TMS.

In addition to customary termination rights of a party due to material breach by the other party, Yeda has the right to terminate the agreement in the event that Yeda receives notice or a claim from the PHS that performance of the research constitutes breach of a patent of the PHS. We have agreed to indemnify Yeda in respect of any such claim or demand from the PHS. To the best of our knowledge, the Yeda agreement and performance of the research thereunder do not breach the terms of our license agreement with the PHS.

In any event of termination of the Yeda agreement, all of the rights in the licensed technology will be returned to Yeda, and we are required to grant Yeda a nonexclusive license, without consideration, in perpetuity, throughout the world for all information developed by it or which shall arise from the development of the products under the agreement, including any license or application for license submitted by us in connection with the products. Following the expiry of the latest patent in such country with regard to such product, we would be entitled to continue to manufacture and sell such product in such country without payment of royalties to Yeda.

Trade Secrets and Know-How

We may rely, in some circumstances, on trade secrets and know-how to protect our technology. However, trade secrets can be difficult to protect. We seek to protect our proprietary technology and processes, in part, through confidentiality agreements and assignment of inventions agreements with our employees, consultants, scientific advisors and contractors. 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, such 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.

Government Grants

To date, we have received grants from the Israel Innovation Authority (IIA) in an aggregate amount of approximately $12.2 million. We are required to pay 3% royalties on sales of our Deep TMS products, which payment obligations, under the currently applicable terms of the grants, are not to exceed the amount of the grant received (in U.S. dollars), plus interest at an annual rate equal to the LIBOR rate. As of September 30, 2018, we have paid royalties to the IIA in an aggregate amount of approximately $1.4 million (including amounts in respect of accrued interest), with remaining royalties of up to $12.7 million to be paid by 2025.

Manufacturing and Supply

We manage all aspects of product supply through our Jerusalem-based operations team. We manufacture our proprietary H-Coils and outsource the manufacture of certain components, including the stimulator, the computer controlling the stimulator, cooling system, the helmet and the arm of the helmet, which are produced and tested to our specifications. We recently completed the development of, and received FDA clearance for, our own integral stimulator to our Deep TMS system, and have commenced commercially incorporating it into our systems. We rely on third-party providers to provide components used in existing products and we expect to continue to do so for future products. Our production activities also include manually assembling certain components of our devices for all required clinical and commercial quantities, and the integration of all components into a functioning Deep TMS system.

We manage our arrangements with our third-party manufacturers and suppliers to adjust delivery schedules and quantities of components to match our changing manufacturing requirements. We forecast our component needs based on historical trends, current utilization patterns and sales forecasts of future demand. We establish our relationships with our third-party manufacturers and suppliers through supplier contracts and purchase orders. In most cases, these supplier relationships may be terminated by either party upon short notice. Magstim (UK) has historically supplied us with stimulators, and it is anticipated that they will continue to be used a source for older generation systems which do not include our recently FDA-cleared stimulator.

In order to mitigate against the risks related to a single-source of supply, we qualify alternative suppliers when possible, maximize the use of commercial, off the shelf components and materials, minimize specialized or proprietary manufacturing processes, and develop contingency plans for responding to disruptions, including maintaining adequate inventory of any critical components. To date, we have not experienced material delays in obtaining any of our components, nor has the ready supply of finished products to our customers or clinicians been adversely affected by component supply issues.

We are subject to extensive governmental regulation in connection with the manufacture of our devices. We must ensure that all of the processes, methods and equipment are compliant with the

current Quality System Regulations (QSR) for devices on an ongoing basis, mandated by the FDA and other regulatory authorities, and must conduct extensive audits of vendors, contract laboratories and suppliers. We comply with such regulatory requirements. Certain of our foreign marketing authorizations requires compliance of said manufacturing process with the ISO 13485 standard, with which we are compliant.

Reimbursement

We estimate that over 90% of the total private insurer covered lives in the United States have coverage for reimbursement of MDD treatment with Deep TMS. In addition, our MDD treatment with Deep TMS is eligible for reimbursement from Medicare. Typically, these insurers will provide reimbursement for up to 36 treatment sessions of Deep TMS for MDD, although the maximum number of covered sessions varies by insurer, and we believe there is an out-of-pocket market beyond the covered maximum. We also believe that there is currently an out-of-pocket market for our Deep TMS systems for OCD. However, we are working to broaden the scope of reimbursement coverage for Deep TMS to include OCD treatment, based on novelty of the technology, unmet clinical need and the efficacy and safety profile of the treatment.

The sales or lease of a medical device utilized for in-office medical treatments depend, in part, on the extent to which such treatments using that device will be covered by third-party payers, such as government health care programs (e.g., Medicare), private insurance and managed healthcare organizations. Even if a third-party payer covers a particular treatment, the resulting reimbursement payment rates may not be adequate to cover a provider's cost to purchase such medical device or ensure that purchase or lease will be profitable for the provider. Additionally, patients who are treated in-office for a medical condition generally rely on third-party payers to reimburse all or part of the costs associated with the treatment and may be unwilling to undergo such treatment in the absence of coverage and adequate reimbursement.

Reimbursement by a third-party payer may depend upon a number of factors, including the third-party payer's determination that a treatment is: neither experimental nor investigational; safe, effective, and medically necessary; appropriate for the specific patient; cost-effective; supported by peer reviewed medical journals; and included in clinical practice guidelines.

Physician reimbursement under Medicare generally is based on a defined fee schedule, or the Physician Fee Schedule, through which payment amounts are determined by the relative values of the professional service rendered. Medicare coverage for TMS also has specific patient history requirements. Medicare coverage for Deep TMS generally requires four failures of anti-depressant medications.

In the United States, there is no uniform policy of coverage and reimbursement among private third-party payers. Reimbursement rates from private payers vary depending on the procedure performed, the commercial payer, contract terms, and other factors. Private third-party payers often rely upon Medicare coverage policy and payment limitations in setting their own reimbursement policies, but also have their own methods and approval process apart from Medicare coverage and reimbursement determinations. Private insurance coverage for Deep TMS generally requires three to four failures of anti-depressant medications.

Coverage and reimbursement for treatments can differ significantly from payer to payer. Decisions regarding the extent of coverage and amount of reimbursement to be provided for an in-office treatment are made on a plan-by-plan basis. One payer's determination to provide coverage for a specific treatment does not assure that other payers will also provide coverage and adequate reimbursement.

In addition, the U.S. federal government and state legislatures have continued to implement cost containment programs, including price controls and restrictions on coverage and reimbursement. Governmental and private insurers are increasingly challenging the price, examining the medical necessity and reviewing the cost-efficacy of medical services. Adoption of price controls and cost containment measures by any such payers, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could limit our market opportunity and reduce our revenues.

Private reimbursement currently covers only treatments using our Deep TMS system for MDD, and does not currently cover our Deep TMS therapy for OCD or therapies currently under development for other indications. We are actively working to broaden the scope of reimbursement coverage for Deep TMS therapy to include OCD based on the novelty of the technology, unmet clinical need and the demonstrated efficacy and safety profile of the treatment. We believe that our recent FDA marketing authorization of Deep TMS for OCD will help us to obtain reimbursement for that indication, but we can provide no assurance that we can obtain the same level of reimbursement coverage for OCD as we have for MDD.

We are also working to include Deep TMS in additional insurance coverages in the United States and in other jurisdictions in which we operate. In regions where we have appointed a local distributor, usually it is an obligation of the distributor under the distribution agreement to obtain reimbursement coverage for Deep TMS in the relevant territory on our behalf. For example, through our Japanese distributor, we are in the process of seeking regulatory approval with the PMDA in Japan, which is a precondition to receiving reimbursement coverage under the Japanese National Health Insurance Plan.

Government Regulation

United States

Our products and our operations are subject to extensive regulation by the FDA and other federal and state authorities in the United States, as well as comparable authorities in foreign jurisdictions. Our products are subject to regulation as medical devices under the U.S. Federal Food, Drug and Cosmetic Act (FDCA), as implemented and enforced by the FDA. The FDA regulates the development, design, non-clinical and clinical research, manufacturing, safety, efficacy, labeling, packaging, storage, installation, servicing, recordkeeping, premarket clearance or approval, import, export, adverse event reporting, advertising, promotion, marketing and distribution, and import and export of medical devices to ensure that medical devices distributed domestically are safe and effective for their intended uses and otherwise meet the requirements of the FDCA.

In addition to U.S. regulations, we are subject to a variety of regulations in other jurisdictions governing clinical trials and commercial sales and distribution of our products. Whether or not we obtain FDA clearance or approval for a product, we must obtain authorization before commencing clinical trials or obtain marketing authorization or approval of our products under the comparable regulatory authorities of countries outside of the United States. The marketing authorization process varies from country to country and the time may be longer or shorter than that required for FDA clearance or approval.

FDA Premarket Clearance and Approval Requirements

Unless an exemption applies, each medical device commercially distributed in the United States requires either FDA clearance of a 510(k) premarket notification or premarket approval, or PMA. Under the FDCA, medical devices are classified into one of three classes—Class I, Class II or Class III—depending on the degree of risk associated with each medical device and the extent of manufacturer and regulatory control needed to ensure its safety and efficacy. Class I includes devices with the lowest risk to the patient and are those for which safety and efficacy can be assured by adherence to the FDA's general controls for medical devices, which include compliance with the

applicable portions of the QSR facility registration and product listing, reporting of adverse medical events, and truthful and non-misleading labeling, advertising, and promotional materials. Class II devices are subject to the FDA's general controls, and special controls as deemed necessary by the FDA to ensure the safety and efficacy of the device. These special controls can include performance standards, postmarket surveillance, patient registries, special labeling requirements, premarket data requirements and FDA guidance documents. While most Class I devices are exempt from the 510(k) premarket notification requirement, manufacturers of most Class II devices are required to submit to the FDA a premarket notification under Section 510(k) of the FDCA requesting permission to commercially distribute the device. The FDA's permission to commercially distribute a device subject to a 510(k) premarket notification is generally known as 510(k) clearance. Devices deemed by the FDA to pose the greatest risks, such as life-sustaining, life-supporting or some implantable devices, or devices that have a new intended use, or use advanced technology that is not substantially equivalent to that of a legally marketed device, are placed in Class III, requiring approval of a PMA.

Our Deep TMS system is classified as a Class II medical device. For MDD, we obtained FDA marketing authorization through the 510(k) clearance process. For OCD, we obtained FDA marketing authorization through the *de novo* classification process. Subsequent changes made to our Deep TMS system will be made through one or more of the various existing FDA review pathways.

510(k) Marketing Clearance Pathway

To obtain 510(k) clearance, we must submit to the FDA a premarket notification submission demonstrating that the proposed device is "substantially equivalent" to a predicate device already on the market. A predicate device is a legally marketed device that is not subject to premarket approval, i.e., a device that was legally marketed prior to May 28, 1976 (pre-amendments device) and for which a PMA is not required, a device that has been reclassified from Class III to Class II or I, or a device that was found substantially equivalent through the 510(k) process. The FDA's 510(k) clearance process usually takes nine to 12 months, but may take significantly longer. The FDA may require additional information, including clinical data, to make a determination regarding substantial equivalence. If the FDA agrees that the device is substantially equivalent to a predicate device currently on the market, it will grant 510(k) clearance to commercially market the device. If the FDA determines that the device is "not substantially equivalent" to a previously cleared device, the device is automatically designated as a Class III device. The device sponsor must then fulfill more rigorous PMA requirements, or can request a risk-based classification determination for the device in accordance with the *de novo* classification process, which is a route to market for novel medical devices that are low to moderate risk and are not substantially equivalent to a predicate device.

Premarket Approval Process

A PMA application must be submitted if the medical device is in Class III (although the FDA has the discretion to continue to allow certain pre-amendment Class III devices to use the 510(k) process) or cannot be cleared through the 510(k) process. A PMA application must be supported by, among other things, extensive technical, pre-clinical, clinical trials, manufacturing and labeling data to demonstrate to the FDA's satisfaction the safety and effectiveness of the device.

After a PMA application is submitted and filed, the FDA begins an in-depth review of the submitted information, which typically takes between one and three years, but may take significantly longer. 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 will usually be convened to review and evaluate the application and provide recommendations to the FDA as to the approvability of the device. In addition, the FDA will conduct a pre-approval inspection of the manufacturing facility to ensure compliance with the QSR, which imposes extensive design development, testing, control, documentation and other quality assurance procedures in the

design and manufacturing process. The FDA may approve a PMA application with post-approval conditions intended to ensure the safety and effectiveness of the device including, among other things, restrictions on labeling, promotion, sale and distribution and collection of long-term follow-up data from patients in the clinical study that supported approval. Failure to comply with the conditions of approval can result in materially adverse enforcement action, including the loss or withdrawal of the approval. New PMA applications or supplements are required for significant modifications to the manufacturing process, labeling of the product and design of a device that is approved through the PMA process. PMA supplements often require submission of the same type of information as an original PMA application, except that the supplement is limited to information needed to support any changes from the device covered by the original PMA application, and may not require as extensive clinical data or the convening of an advisory panel.

De novo Classification Process

Medical device types that the FDA has not previously classified as Class I, II, or III are automatically classified as Class III regardless of the level of risk they pose. The Food and Drug Administration Modernization Act of 1997 established a new route to market for low to moderate risk medical devices that are automatically placed into Class III due to the absence of a substantially equivalent predicate device, called the "Request for Evaluation of Automatic Class III Designation," or the *de novo* classification process. This process allows a manufacturer whose novel device is automatically classified as Class III to request down-classification of its medical device into Class I or Class II on the basis that the device presents low or moderate risk, rather than requiring the submission and approval of a PMA application. Prior to the enactment of the Food and Drug Administration Safety and Innovation Act, or FDASIA, in July 2012, a medical device could only be eligible for *de novo* classification if the manufacturer first submitted a 510(k) premarket notification and received a determination from the FDA that the device was not substantially equivalent to a predicate device. FDASIA streamlined the *de novo* classification pathway by permitting manufacturers to request *de novo* classification directly without first submitting a 510(k) premarket notification to the FDA and receiving a not substantially equivalent determination. We obtained marketing authorization for the OCD indication for our system using the direct *de novo* request classification process. We have used the 510(k) clearance process to obtain authorization from the FDA for changes to our marketed Deep TMS system, including our proprietary stimulator.

Clinical Trials

A clinical trial is typically required to support a PMA application or *de novo* classification, and is sometimes required for a 510(k) premarket notification. Clinical trials for significant risk devices generally require submission of an application for an Investigational Device Exemption, or IDE, to the FDA. The IDE application must be supported by appropriate data, such as animal and laboratory testing results, showing that it is safe to test the device in humans and that the investigational protocol is scientifically sound. The IDE application must be approved in advance by the FDA for a specified number of patients, unless the product is deemed a non-significant risk device and eligible for more abbreviated IDE requirements. Clinical trials for a significant risk device may begin once the IDE application is approved by the FDA as well as the appropriate institutional review boards (IRBs), at the clinical trial sites, and the informed consent of the patients participating in the clinical trial is obtained. 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. Any trials we conduct must be conducted in accordance with FDA regulations as well as other federal regulations and state laws concerning human subject protection and privacy. Moreover, the results of a clinical trial may not be sufficient to obtain clearance or approval of the product.

Changes to Marketed Devices

After a device receives 510(k) marketing clearance, or *de novo* classification, any modification that could significantly affect its safety or efficacy, or that would constitute a major change or modification in its intended use, will require a new 510(k) marketing clearance or, depending on the modification, a *de novo* classification or PMA. The FDA requires each manufacturer to determine whether the proposed change requires submission of a 510(k) or a PMA in the first instance, but the FDA can review any such decision and disagree with a manufacturer's determination. Many minor modifications today are accomplished by a manufacturer documenting the change in an internal letter-to-file. The letter-to-file is in lieu of submitting a new 510(k) to obtain clearance for every change. The FDA can always review these letters to file in an inspection. If the FDA disagrees with a manufacturer's determination, the FDA can require the manufacturer to cease marketing and/or request the recall of the modified device until 510(k) marketing clearance or PMA is obtained. Also, in these circumstances, the manufacturer may be subject to significant regulatory fines or penalties.

Postmarket Regulation

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

- establishment registration and device listing with the FDA;
- QSR requirements, which require manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all aspects of the design, manufacturing and distribution process;
- labeling and marketing regulations, which require that promotion is truthful, not misleading, fairly balanced and provide adequate directions for use and that all claims are substantiated, and also prohibit the promotion of products for unapproved or "off-label" uses and impose other restrictions on labeling;
- FDA guidance on off-label dissemination of information and responding to unsolicited requests for information;
- clearance or approval of product modifications to 510(k)-cleared devices that could significantly affect safety or efficacy or that would constitute a major change in intended use of one of our cleared devices;
- medical device reporting regulations, which require that a manufacturer report to the FDA if a device it markets may have caused or contributed to a death or serious injury, or has malfunctioned and the device or a similar device that it markets would be likely to cause or contribute to a death or serious injury or serious adverse events, if the malfunction were to recur;
- correction, removal and recall reporting regulations, which require that manufacturers report to the FDA field corrections and product recalls or removals if undertaken to reduce a risk to health posed by the device or to remedy a violation of the FDCA that may present a risk to health;
- complying with regulations requiring Unique Device Identifiers (UDI) on devices and also requiring the submission of certain information about each device to the FDA's Global Unique Device Identification Database (GUDID);
- the FDA's recall authority, whereby the agency can order device manufacturers to recall from the market a product that is in violation of governing laws and regulations; and

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

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

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

- warning letters, untitled letters, fines, injunctions, consent decrees and civil penalties;
- recalls, withdrawals, or administrative detention or seizure of our products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing or delaying requests for 510(k) marketing clearance or PMA approvals of new products or modified products;
- withdrawing 510(k) clearances or PMA approvals that have already been granted;
- refusal to grant export or import approvals for our products; or
- criminal prosecution.

U.S. and Foreign Healthcare Laws and Compliance Requirements

Healthcare providers, physicians and third-party payers play a primary role in the recommendation, prescription and payment for medical treatments. A medical device manufacturer's arrangements with third-party payers, providers and patients may expose it to broadly applicable fraud and abuse and other healthcare laws and regulations that may affect its business or the financial arrangements and relationships through which it markets, sells and distributes its products. Even if a medical device manufacturer does not control referrals of healthcare services or bill directly to Medicare, Medicaid or other third-party payers, federal and state healthcare laws and regulations are applicable to its business. In addition, portions of our business may be subject to the Health Insurance Portability and Accountability Act of 1996 (HIPAA). To the extent we provide any covered entity customers with services that involve the use or disclosure of protected health information (PHI) we may be required to enter into business associate agreements. Business associates are also directly liable for compliance with HIPAA. The laws that may affect a medical device manufacturer's ability to operate include, but are not limited to:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons and entities from knowingly and willfully soliciting, receiving, offering or providing remuneration (broadly

interpreted to include anything of value), directly or indirectly, overtly or covertly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchase, order or recommendation of a good or service for which payment may be made, in whole or in part, under a federal healthcare program, such as Medicare and Medicaid. The intent standard under the federal Anti-Kickback Statute was amended by the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (PPACA) to a stricter standard such that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. Moreover, the government may assert a that a claim for reimbursement that includes items resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act (FCA);

- the federal civil and criminal false claims laws and civil monetary penalty laws, such as the FCA, which prohibits, among other things, individuals or entities from knowingly presenting, or causing to be presented, false, fictitious or fraudulent claims for payment of federal funds, and knowingly making, using or causing to be made or used a false record or statement material to a false or fraudulent claim to avoid, decrease or conceal an obligation to pay money to the federal government. Private individuals can bring FCA qui tam actions, on behalf of the government and such individuals, commonly known as "whistleblowers," and may share in amounts paid by the entity to the government in fines or settlement. For example, companies have been prosecuted under the FCA in connection with alleged off-label promotion of devices and allegedly providing free products to customers with the expectation that the customers would bill federal health care programs for the product. In addition, a claim including items resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the FCA. As a result of a modification made by the Fraud Enforcement and Recovery Act of 2009, a claim includes "any request or demand" for money or property presented to the U.S. government. In addition, manufacturers can be held liable under the FCA even when they do not submit claims directly to government payers if they are deemed to "cause" the submission of false or fraudulent claims;

- HIPAA, which prohibits and imposes criminal liability for, among other things, executing or attempting to execute a scheme to defraud any healthcare benefit program, including private third-party payers, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement or representation, or making or using any false writing or document knowing the same to contain any materially false, fictitious or fraudulent statement or entry in connection with the delivery of or payment for healthcare benefits, items or services;

- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act (HITECH), and their implementing regulations, which imposes privacy, security, transmission and breach reporting obligations with respect to individually identifiable health information upon entities subject to the law, including health plans, healthcare clearinghouses and certain healthcare providers and their respective business associates that perform services on their behalf that involve 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 HIPAA laws and seek attorneys' fees and costs associated with pursuing federal civil actions;

- the federal Physician Payments Sunshine Act, created under the PPACA, which requires certain manufacturers of drugs, devices, biologics and medical supplies reimbursed under Medicare, Medicaid, or the Children's Health Insurance Program (with certain exceptions) to report

annually to the United States Department of Health and Human Services information related to payments or other transfers of value made to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members; and

- foreign and state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws, that may impose similar or more prohibitive restrictions, and may apply to items or services reimbursed by any non-governmental third-party payers, including private insurers; state laws that require device manufacturers to comply with the industry's voluntary compliance guidelines and the applicable compliance guidance promulgated by the federal government or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state laws that require device manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures and pricing information; and other federal and state laws that govern the privacy and security of health information or personally identifiable information in certain circumstances, including state health information privacy and data breach notification laws which govern the collection, use, disclosure, and protection of health-related and other personal information, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus requiring additional compliance efforts and data privacy and security laws and regulations in foreign jurisdictions that may be more stringent than those in the United States (such as the European Union, which adopted the General Data Protection Regulation, which became effective in May 2018).

Because of the breadth of these laws and the narrowness of their statutory exceptions and regulatory safe harbors, it is possible that some of a medical device manufacturer's business activities could be subject to challenge under one or more of these laws. The scope and enforcement of each of these laws is uncertain and subject to rapid change in the current environment of healthcare reform, especially in light of the lack of applicable precedent and regulations. Federal and state enforcement bodies have recently increased their scrutiny of interactions between healthcare companies and healthcare providers, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry.

Ensuring that business arrangements with third parties comply with applicable healthcare laws and regulations is costly and time consuming. If a medical device manufacturer's operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to it, it may be subject to penalties, including civil, criminal and administrative penalties, damages, fines, disgorgement, individual imprisonment, exclusion from governmental funded healthcare programs, such as Medicare and Medicaid, additional reporting obligations and oversight if it becomes subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, reputational harm, diminished profits and future earnings, and the curtailment or restructuring of operations, any of which could adversely affect the ability of a medical device manufacturer to operate its business and the results of its operations.

United States Healthcare Reform

In the United States, a number of legislative and regulatory proposals have been considered or enacted to change the healthcare system in ways that could affect a medical device manufacturer's business. Among policy makers and governmental and private insurers in the United States, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality or expanding access. For example, in 2010, the PPACA was enacted, which includes measures to significantly change the way health care is financed by both governmental

and private insurers, and significantly impacts the medical device industry. Among other ways in which it may impact a medical device manufacturer's business, the PPACA:

- imposes an annual excise tax of 2.3% on any entity that manufactures or imports medical devices offered for sale in the United States, with limited exceptions, although the effective rate paid may be lower. Under the Consolidated Appropriations Act of 2016, the excise tax was suspended through December 31, 2017, and under the continuing resolution on appropriations for fiscal year 2018, or 2018 Appropriations Resolution, signed by President Trump on January 22, 2018, was further suspended through December 31, 2019;

- establishes a new Patient-Centered Outcomes Research Institute to oversee and identify priorities in comparative clinical efficacy research in an effort to coordinate and develop such research;

- implements payment system reforms including a national pilot program on payment bundling to encourage hospitals, physicians and other providers to improve the coordination, quality and efficiency of certain healthcare services through bundled payment models; and

- expands the eligibility criteria for Medicaid programs.

Some of the provisions of the PPACA have yet to be implemented, and there have been judicial and Congressional challenges to certain aspects of the PPACA, as well as recent efforts by the Trump administration to repeal or replace certain aspects of the PPACA. President Trump has signed two Executive Orders and other directives designed to delay the implementation of any certain provisions of the PPACA or otherwise circumvent some of the requirements for health insurance mandated by the PPACA. Concurrently, Congress has considered legislation that would repeal or repeal and replace all or part of the PPACA. While Congress has not passed comprehensive repeal legislation, two bills affecting the implementation of certain taxes under the PPACA have been signed into law. The Tax Cuts and Jobs Act of 2017 includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the PPACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate." Additionally, the 2018 Appropriations Resolution delayed the implementation of certain PPACA-mandated fees, including, without limitation, the medical device excise tax. As a result, there is significant uncertainty regarding future healthcare reform and its impact on a medical device manufacturer's operations.

In addition, other legislative changes have been proposed and adopted since the PPACA was enacted. On August 2, 2011, President Obama signed into law the Budget Control Act of 2011, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend to Congress proposals in spending reductions. The Joint Select Committee did not achieve a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, triggering the legislation's automatic reduction to several government programs. This includes reductions to Medicare payments to providers of 2% per fiscal year, which went into effect on April 1, 2013, and due to subsequent legislative amendments to the statute, including the Bipartisan Budget Act of 2018, will stay in effect through 2027 unless additional Congressional action is taken. On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, or the ATRA, which, among other things, further reduced Medicare payments to several types of providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. In addition, the Medicare Access and CHIP Reauthorization Act of 2015, enacted on April 16, 2015, or MACRA, repealed the formula by which Medicare made annual payment adjustments to physicians and replaced the former formula with fixed annual updates and a new system of incentive payments scheduled to begin in 2019 that are based on various performance measures and physicians' participation in alternative payment models such as accountable care organizations.

Recently there has been heightened governmental scrutiny over the manner in which drug and medical device manufacturers set prices for their marketed products, which has resulted in several U.S. Congressional inquiries and proposed federal legislation designed to, among other things, bring more transparency to product pricing, reduce the cost of certain products under Medicare, review the relationship between pricing and manufacturer patient assistance programs, and reform government healthcare program reimbursement methodologies. At the state level, individual states in the United States are also increasingly passing legislation and implementing regulations designed to control product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures.

It is likely that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for a medical device manufacturer's products or additional pricing pressure.

Outside of the United States

We also have received European Conformity (CE) marking in the European Economic Area (EEA) and in Israel for MDD, OCD and 11 other indications in psychiatry, addiction treatment and neurology. Sales and marketing of medical devices outside of the United States are subject to foreign regulatory requirements that vary widely from country to country. The time required to obtain appropriate marketing authorizations from other foreign authorities may be longer or shorter than that required for FDA approval. Whether or not we have obtained FDA approval, our Deep TMS systems may be subject to different regulatory requirements in other jurisdictions. The foreign regulatory approval process includes all the risks associated with FDA regulation, as well as country-specific regulations.

Employees

Our employees include professionals with extensive experience in medical device development and applications, neurology and psychopathology, pre-clinical experimentation, clinical development and business development. As of September 30, 2018, we had 88 employees, of which 62 are based in Israel and 26 are based in the United States. This includes 21 employees in sales and marketing (including 18 in the United States) and 30 employees in clinical trials and research and development.

While none of our employees are party to any collective bargaining agreements, certain provisions of the collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordination Bureau of Economic Organizations (including the Industrialists' Associations) are applicable to our employees by order of the Israel Ministry of Labor. Such orders are part of the employment related laws and regulations which apply to our employees and set certain mandatory terms of employment. Such mandatory terms of employment primarily concern the length of the workday, minimum daily wages, pension plan benefits for all employees, insurance for work-related accidents, procedures for dismissal of employees, severance pay and other conditions of employment. We generally provide our employees with benefits and working conditions beyond the required minimums.

We have never experienced an employment-related work stoppage and we believe our relationship with our employees is good.

Environmental Matters

We are subject to various environmental, health and safety laws and regulations, including those governing noise emissions. We believe that our business, operations and facilities are being operated in compliance in all material respects with applicable environmental and health and safety laws and

regulations. Based on information currently available to us, we do not expect environmental costs and contingencies to have a material adverse effect on us. Significant expenditures could be required in the future, however, if we are required to comply with new or more stringent environmental or health and safety laws, regulations or requirements.

Property

We are headquartered in Jerusalem, Israel. Since November 2007, we have leased our corporate headquarters pursuant to a lease agreement that expires on September 2022. The facility contains approximately 1,505 square meters of space, and lease payments and management fees are approximately $35,000 plus value added tax, or VAT, per month, in the aggregate, and are paid in NIS. The monthly payments owed are adjusted based on movements in Israel's Consumer Price Index since October 2007. This facility houses our administrative and research operations and our central laboratory. Substantially all of our Israeli-based employees are based in this facility.

In the United States, we lease corporate offices in Hackensack, New Jersey pursuant to a lease agreement that expires on April 2021. The facility contains approximately 2,380 square meters of space, and lease payments and management fees are approximately $4,800 per month. This facility houses our U.S.-based sales and marketing workforce.

Legal Proceedings

We are not involved in any material legal proceedings.

MANAGEMENT

Senior Management and Directors

The following table sets forth information concerning our senior management and directors, including their ages, as of the date of this prospectus:

Name	Age	Position
Senior Management:		
Yaacov Michlin	48	Chief Executive Officer and Director
Dr. Yiftach Roth	48	Chief Scientist and Director
Hadar Levy	45	Chief Financial Officer
Moria Ankri	35	Vice President Research and Development
Amit Ginou	38	Vice President Field and Clinical Operations
Joseph Perekupka	46	Vice President Sales Operations North America
Joshua Hexter	48	Chief Business Officer
Directors:		
Dr. David Zacut	66	Chairman of the Board
Avner Hagai(2)	63	Vice Chairman of the Board
Daniel Azriel(1)	68	Director
Gavriel Magen	59	Director
Eti Mitrany(1)(2)	48	Director
Karen Sarid	68	Director
Eynat Tsafrir(1)(2)	52	Director

(1) Member of our audit committee.

(2) Member of our compensation committee.

Senior Management

Yaacov Michlin has served as our President and Chief Executive Officer since April 2017. Mr. Michlin has served as a co-chairman of Israeli Advanced Technology Industries since October 2018. Prior to his service at the Company, from 2009 to 2017, Mr. Michlin served as President and Chief Executive Officer of Yissum Research Development Company of the Hebrew University of Jerusalem; from 2012 to 2014, served as Chairman of Israel Tech Transfer Organization; from 2012 to 2015, served as Chairman of Qlight Nanotech Ltd.; and from 2012 to 2017, served as Chairman of Integra Ltd. Mr. Michlin holds an LLB and BA in Economics and LLM from Bar Ilan University and an MBA from the Technion Israel Institute of Technology.

Dr. Yiftach Roth is one of our scientific founders and key inventors of the Deep TMS technology. Dr. Roth has served as our Research and Development Manager since May 2006 and as a member of the Board of Directors since November 2006. In 2010, Dr. Roth became our Chief Scientist. From 2003 through 2006, Dr. Roth worked in the Advanced Technology Center of the Chaim Sheba Medical Center at Tel Hashomer as a researcher in the field of Magnetic Resonance Imaging (MRI). Dr. Roth holds B.Sc. and M.Sc. degrees in Physics and a Ph.D. in Medical Physics from Tel Aviv University.

Hadar Levy has served as our Chief Financial Officer since September 2014. Prior to his service at the Company, from August 2011 to September 2014 Mr. Levy served as Chief Financial Officer of the Latin American Division at Amdocs; and from 2008 to 2011, served as Chief Financial Officer & Vice President of Business Development of Notalvision. Prior to this position, he served as Controller of GE Healthcare Israel. Mr. Levy holds a BA in Economics and Accounting from Ruppin and an LLM from Bar Ilan University. Mr. Levy is a Certified Public Accountant.

Moria Ankri has served as our Vice President of Research and Development since September 2017. Prior to her service as a Vice President of Research and Development, from 2010 to 2017, Ms. Ankri served as a manager at the Biomedical Development Department of our Company and as a research

and development project manager at our Company. Ms. Ankri holds a B.Sc. in Biomedical Engineering from the Jerusalem College of Technology, and and a B.Sc. in neurobiology studies at the Hebrew University of Jerusalem.

Amit Ginou has served as our Vice President of Field and Clinical Operations since October 2013. Previously, Mr. Ginou served as the Clinical Trials Manager of our Company from November 2008 to October 2013. Mr. Ginou holds a B.Sc. in Neuroscience from Bar Ilan University and a MA degree in Law from Bar Ilan University.

Joseph Perekupka has served as Vice President of North American Sales and Operations since 2015. From 2004 to 2014, Mr. Perekupka worked in the cardiovascular medical device market at St. Jude Medical. Mr. Perekupka holds a B.S. in Marketing from Pennsylvania State University and an MBA in Management and Finance (graduate with honors) from Fordham University.

Joshua Hexter has served as Chief Business Officer since November 2018. Previously, Mr. Hexter served as Chief Operating Officer and Vice President of Business Development at Oramed Pharmaceuticals Inc. from 2013 through 2018. Prior to joining Oramed, he served as Executive Director of Corporate Licensing at BioLineRx from 2007 to 2013. Mr. Hexter holds a bachelor's degree from the University of Wisconsin and a master's degree in management from Boston University.

Directors

Dr. David Zacut has served as our Chairman of the Board of Directors since our inception and has been providing consulting services to Brain Research and Development Services since May 2001. Since 1983, Dr. Zacut has been working as a senior practicing physician at Hadassah Hospital, and from 1994 through 2003, he served as a managing director of several large medical centers. In addition, Dr. Zacut serves as a director of several private companies, including Brain Research and Development Services. Dr. Zacut holds an M.D. degree from the Hebrew University of Jerusalem.

Avner Hagai has served as our Vice Chairman of the Board of Directors since November 2006. He serves as a director at several companies, including at Hofit Kibbutz Kinneret Ltd., a plastics manufacturer, where he has served since 2010, and at Prisma F.S. Ltd., a building management company, where he has served since 2002. Mr. Hagai established A.A. Glass Ltd., an automotive glass and services company, where he has served as a director since 1984.

Daniel Azriel has served as our Director since December 2006, and current serves as a member of our audit committee. Mr. Azriel served as the General Manager of the National Insurance Institute of Israel (NII) from 1982 to 1985, was a partner in Glass, Feinstein and Azriel law firm from 1977 to 1997, was the head of the municipality of Mevaseret Tzion from 1999 to 2004, and established his own law firm in 1997 where he maintains his law practice today. Mr. Azriel earned an LLB degree from the Hebrew University in Jerusalem.

Gavriel Magen has served as our Director since December 2006. Mr. Magen has been the Chief Executive Officer of Polybid Ltd., the largest Expandable Polystyrene (EPS) producer in Israel, since January 1, 2009. From 2007 to 2009 Mr. Magen served as the Chief Executive Officer of Plassim Ltd., an Israeli company that manufactures pipes for numerous applications and from 2000 to 2007 he served as the Chief Executive Officer of Oran Palmach Subba Agricultural Cooperative Society Ltd., an Israeli producer of safety, strengthened and reinforced glass. Mr. Magen holds a BA in Business Administration from the Ruppin Academic Center in Hefer Valley, Israel. He resides in Har Adar.

Eti Mitrany has served as our Director since June 2016, and until the closing of this offering, serves as an external director for purposes of compliance with Israeli corporate governance rules. Ms. Mitrany has served as Senior Vice President, Head of the Corporate Economic Department at Teva Pharmaceuticals since 2012, with global responsibility for Teva's business planning and analysis. Prior to that, Ms. Mitrany held various positions in Teva, including CFO of specialty R&D, and CFO and Director of Financial Planning & Analysis of the global branded business. Ms. Mitrany joined Teva in

1995 as a financial analyst of Copaxone—the first innovative product of Teva for the treatment of multiple sclerosis. Ms. Mitrany received her BA in Economics and MBA in Finance, both from Tel-Aviv University.

Eynat Tsafrir has served as our Director and chairperson of our audit committee and our financial statements committee since June 2016, and until the closing of this offering, serves as an external director for purposes of compliance with Israeli corporate governance rules. Ms. Tsafrir is an independent consultant providing financial consulting to organizations and individuals. Ms. Tsafrir is an external director (with accounting and financial expertise) at Altshuler Shaham Portfolio Management Ltd. and Mediterranean Sea Towers Ltd. and an Independent Director at Shapir Engineering and Industry Ltd. Ms. Tsafrir worked at Discount Bank from 2006 to 2009 as a Business Development Manager and at Bank Leumi from 1990 to 2005 establishing and managing the activity for institutional investors and strategic players in the capital markets, and serving in a variety of other positions, including as a middle market business manager in the commercial banking sector, credit officer and macro economist. Ms. Tsafrir earned a BA (cum laude) in Finance and an MA in Finance, both from Tel Aviv University.

Karen Sarid has served as our Director since December 2017. Between March 2014 and July 2017, Ms. Sarid served as VP Beauty and Dental and as Chairman of China activities at Syneron Medical Ltd. Between January 2012 and August 2013 Ms. Sarid served as President of Alma Lasers Ltd. Ms. Sarid currently serves as a director of Hairstetics Ltd. and Eva Visual Ltd. and holds a BA in Economics and Accounting from the University of Haifa.

Yaacov Michlin and Dr. Yiftach Roth—see "—Senior Management" above.

Compensation of Senior Management and Directors

The table and summary below outline the compensation granted to our five highest compensated directors and officers during the year ended December 31, 2017. The compensation detailed in the table below refers to actual compensation granted or paid to the director or officer during the year ended December 31, 2017.

Name and position of director or officer	Base Salary or Other Payments(1)	Value of Social benefits(2)	Value of Equity Based Compensation Granted(3)	All Other Compensation(4)	Total
Amounts in U.S.$ dollars are based on 2017 monthly average representative U.S. dollar—NIS rate of exchange					
Yaacov Michlin, CEO and Director	193,000(8)	53,000	501,000	16,000	763,000
Hadar Levy, CFO	153,000	39,000	180,000	19,000	391,000
Joseph Perekupka, VP Sales, North America	233,000	—	67,000	1,000	301,000
Amit Ginou, VP Field and Clinical Operations	115,000	32,000	41,000	13,000	201,000
Dr. David Zacut, Chairman of the Board of Directors	(5)(6) 138,000(7)	0	0	0	138,000

(1) "Base Salary or Other Payments" means the aggregate yearly gross monthly salaries or other payments, including bonus payments, with respect to our senior management and members of the board of directors for the year ended December 31, 2017.

(2) "Social Benefits" include payments to the National Insurance Institute, advanced education funds, managers' insurance and pension funds; vacation pay; and recuperation pay as mandated by Israeli law.

(3) Consists of the fair value of the equity-based compensation granted during the year ended December 31, 2017 in exchange for the directors and officers services recognized as an expense in

profit or loss and is carried to the accumulated deficit under equity. The total amount recognized as an expense over the vesting period of the options.

(4) "All Other Compensation" includes, among other things, car-related expenses (including tax gross-up), communication expenses, basic health insurance, and holiday presents.

(5) Paid as management fees against a tax invoice.

(6) Until March 31, 2017, served as full time interim CEO for accumulated salary for the period of $61,000, which amount is included in the table above.

(7) Dr. Zacut's scope of services to our Company equals 40% of a full time position.

(8) Including payment as director until March 31, 2017, the date of commencement of his position as CEO, in an amount of $3,000; up to such date he was not employed full time.

The aggregate compensation paid by us to our senior management and directors for the year ended December 31, 2017 was approximately $2.1 million. This amount includes approximately $0.2 million set aside or accrued to provide pension, severance, retirement or similar benefits or expenses, but does not include business travel, relocation, professional and business association dues and expenses reimbursed to officers, and other benefits commonly reimbursed or paid by companies in Israel.

Disclosure of Compensation of Senior Management

For so long as we qualify as a foreign private issuer under U.S. securities laws, we are not required to comply with the proxy rules applicable to U.S. domestic companies, including the requirement applicable to emerging growth companies to disclose the compensation of our chief executive officer and other two most highly compensated senior management on an individual, rather than an aggregate, basis. Nevertheless, regulations promulgated under the Israeli Companies Law require us, as a public company listed on the TASE, and after we become a U.S. public company, to disclose the annual compensation of our five most highly compensated directors and officers on an individual basis, rather than on an aggregate basis. This disclosure will not be as extensive as that required of a U.S. domestic issuer.

Compensation of Directors and Senior Management

Directors. Under the Israeli Companies Law, the compensation of our directors requires the approval of our compensation committee, the subsequent approval of the board of directors and, unless exempted under regulations promulgated under the Israeli Companies Law, the approval of the shareholders at a general meeting. The approval of each of the compensation committee and the board of directors should be in accordance with the company's stated compensation policy; however, in special circumstances, they may approve compensation terms of directors that are inconsistent with such policy provided that they have considered those provisions that must be included in the compensation policy according to the Israeli Companies Law, and shareholder approval will also be required, provided that:

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

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

Members of senior management other than the chief executive officer. The Israeli Companies Law requires the approval of the compensation of a public company's senior management (other than the chief executive officer) in the following order: (i) the compensation committee and (ii) the company's

board of directors. The approval of each of the compensation committee and the board of directors should be in accordance with the company's stated compensation policy; however, in special circumstances, they may approve compensation terms of the company's executive officers that are inconsistent with such policy provided that they have considered those provisions that must be included in the compensation policy according to the Israeli Companies Law and the company's shareholders approve the transaction (by a special majority vote as discussed above with respect to the approval of director compensation). However, if the shareholders of the company do not approve a compensation arrangement with an executive officer that is inconsistent with the company's stated compensation policy, the compensation committee and board of directors may override the shareholders' decision if each of the compensation committee and the board of directors provide detailed reasons for their decision, after having discussed, among others, the transaction and considered the shareholders' opposition.

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

Foreign Private Issuer Status

Foreign Private Issuer

After the consummation of this offering, we will be a "foreign private issuer" under U.S. securities laws and Nasdaq corporate governance rules. As a foreign private issuer, we will be exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders will be exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

As a foreign private issuer, we are permitted to follow certain Israeli corporate governance practices instead of the Nasdaq corporate governance rules, provided that we disclose which requirements we are not following and the equivalent Israeli requirement. Pursuant to the "foreign private issuer exemption":

- we intend to establish a quorum requirement such that the quorum for any meeting of shareholders is two or more shareholders holding at least $33^{1}/_{3}\%$ of our voting rights, which complies with Nasdaq requirements, however, if the meeting is adjourned for lack of quorum, the quorum for such adjourned meeting will be any number of shareholders, instead of $33^{1}/_{3}\%$ of our voting rights;

- we also intend to follow Israeli corporate governance practice in lieu of Nasdaq Marketplace Rule 5635(c), which requires shareholder approval for certain dilutive events (such as issuances that will result in a change of control, certain transactions other than a public offering involving issuances of a 20% or greater interest in us and certain acquisitions of the shares or assets of another company) and prior to an issuance of securities when a stock option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, directors, employees or consultants. By contrast, under the Israeli Companies Law, shareholder approval is required (subject to certain limited exceptions) for, among other things: (a) transactions with directors concerning the terms of their service (including indemnification, exemption, and insurance for their service or for any other position that they may hold at a company); (b) extraordinary transactions with controlling shareholders of publicly held companies; (c) terms of office and employment or other engagement of our controlling shareholder, if any, or such controlling shareholder's relative; (d) approval of transactions with the company's Chief Executive Officer with respect to his or her compensation, whether in accordance with the approved compensation policy of the company or not, or transactions with officers of the company not in accordance with the approved compensation policy; (e) approval of the compensation policy of the company for office holders and (f) certain private placements involving the issuance of 20% or more of our total voting rights, or private placements as a result of which a person will become a controlling shareholder of the company. In addition, under the Companies Law, a merger requires approval of the shareholders of each of the merging companies; and

- as permitted by the Israeli Companies Law, our board of directors selects director nominees. Directors are not selected, or recommended for board of director selection, by independent directors constituting a majority of the board's independent directors or by a nominations committee comprised solely of independent directors as required by the Nasdaq Listing Rules.

Otherwise, we intend to comply with the rules generally applicable to U.S. domestic companies listed on the Nasdaq Global Market. We may in the future decide to use the foreign private issuer exemption with respect to some or all of the other Nasdaq corporate governance rules. Following the closing of this offering, we also intend to comply with Israeli corporate governance requirements under the Israeli Companies Law applicable to public companies.

Our Board of Directors

Our board of directors consists of nine (9) directors, including six (6) directors who qualify as "independent" under applicable U.S. securities laws and Nasdaq listing rules: Avner Hagai, Daniel Azriel, Gavriel Magen, Karen Sarid, Eti Mitrany and Eynat Tsafrir.

Under the Israeli Companies Law, we would be required to include on our board of directors at least two members, each of whom qualifies as an external director, and as to whom special qualifications, voting requirements and other provisions would be applicable. We would also be required to include one such external director on each of our board committees.

Under regulations promulgated under the Israeli Companies Law, Israeli companies whose shares are traded on stock exchanges such as the Nasdaq that do not have a controlling shareholder (as defined therein) and which comply with the requirements of the jurisdiction where the company's shares are traded with respect to the appointment of independent directors and the composition of an audit committee and compensation committee, may elect not to follow the Israeli Companies Law requirements with respect to the composition of its audit committee and compensation committee and the appointment of external directors. As we do not have a controlling shareholder, we intend to comply with the requirements of the Nasdaq with respect to the composition of our board and such committees, and therefore we will be exempt from the Israeli Companies Law requirements with respect thereto, including the appointment of external directors.

Under our articles of association, the number of directors on our board of directors will be not less than four (4) but no more than nine (9) directors, not including any external directors required to be appointed by the Israeli Companies Law and not including up to two additional directors who are industry experts in our field of activity.

Our directors are divided into three classes with staggered three-year terms (other than any external directors that may be required under the Companies Law). Each class of directors consists, as nearly as possible, of one-third of the total number of directors constituting the entire board of directors (other than external directors, if any). At each annual general meeting of our shareholders, the election or re-election of directors following the expiration of the term of office of the directors of that class of directors will be for a term of office that expires on the third annual general meeting following such election or re-election, such that from 2019 and after, at each annual general meeting the term of office of only one class of directors will expire. Each director holds office until the third annual general meeting of our shareholders and until his or her successor is duly appointed, unless the tenure of such director expires earlier pursuant to the Israeli Companies Law or if, he or she is not an external director, unless removed from office by the general meeting of shareholders by a regular majority after he or she is given a reasonable opportunity to bring his or her position before the general meeting as described below.

Our current directors, other than external directors, are divided among the three classes as follows:

- Class I directors consist of Dr. Yiftach Roth and Yaacov Michlin, and their term will expire at our annual general meeting of our shareholders to be held in 2018;
- Class II directors consist of Dr. David Zacut, Avner Hagai and Daniel Azriel, and their term will expire at our annual general meeting of our shareholders to be held in 2019; and
- Class III directors consist of Gavriel Magen and Karen Sarid, and their term will expire at our annual general meeting of our shareholders to be held in 2020.

Eti Mitrany and Eynat Tsafrir will serve as our external directors until the closing of this offering and shall serve as independent directors after this offering, and each has a term of three years which will expire at our annual general meeting of our shareholders to be held in 2019.

Under our articles of association, our board of directors may elect new directors if the number of directors is below the minimum provided therein.

Under Israeli law, the chief executive officer of a public company may not serve as the chairman of the board of directors of the company unless approved by a special majority of our shareholders as required under the Israeli Companies Law.

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

Family Relationships

There are no family relationships between any members of our executive management and our directors.

Arrangements for Election of Directors and Senior Management

We are not a party to, and there are no arrangements or voting agreements that we are aware of for the election of our directors and senior management.

Alternate Directors

Our articles of association provide, as allowed by the Israeli Companies Law, that any director may, by written notice to us, appoint another person who is qualified to serve as a director to serve as an alternate director. The alternate director will be regarded as a director. Under the Israeli Companies Law, a person who is not qualified to be appointed as a director, a person who is already serving as a director or a person who is already serving as an alternate director for another director, may not be appointed as an alternate director. Nevertheless, a director who is already serving as a director may be appointed as an alternate director for a member of a committee of the board of directors as long as he or she is not already serving as a member of such committee. The term of appointment of an alternate director may be for one meeting of the board of directors or until notice is given of the cancellation of the appointment.

Audit Committee

Israeli Companies Law Requirements

Under the Israeli Companies Law, the board of directors of any public company must also appoint an audit committee comprised of at least three directors, including all of the external directors (if any). The audit committee may not include:

- the chairman of the board of directors;
- a controlling shareholder or a relative of a controlling shareholder;
- any director employed by us or by one of our controlling shareholders or by an entity controlled by our controlling shareholders (other than as a member of the board of directors); or
- any director who regularly provides services to us, to one of our controlling shareholders or to an entity controlled by our controlling shareholders.

According to the Israeli Companies Law, the majority of the members of the audit committee, as well as the majority of members present at audit committee meetings, will be required to be "independent" (as defined below) and the chairman of the audit committee will be required to be an external director. Any persons disqualified from serving as a member of the audit committee may not be present at the audit committee meetings, unless the chairman of the audit committee has determined that such person is required to be present at the meeting or if such person qualifies under one of the exemptions of the Israeli Companies Law.

The term "independent director" is defined under the Israeli Companies Law as an external director or a director who meets the following conditions and who is appointed or classified as such according to the Israeli Companies Law: (1) the conditions for his or her appointment as an external director (as described above) are satisfied and the audit committee approves the director having met such conditions and (2) he or she has not served as a director of the company for over nine consecutive years with any interruption of up to two years of his or her service not being deemed a disruption to the continuity of his or her service.

Pursuant to regulations promulgated under the Israeli Companies Law, we intend to comply with the requirements of Nasdaq with respect to the composition of our audit committee and compensation committee and not follow the Israeli Companies Law requirements with respect to the composition of such committee. See "Management—Our Board of Directors".

Nasdaq Listing Requirements

Under the Nasdaq corporate governance rules, we are required to maintain an audit committee consisting of at least three independent directors, all of whom are financially literate and one of whom has accounting or related financial management expertise.

Our audit committee consists of Daniel Azriel, Eti Mitrany and Eynat Tsafrir. Eynat Tsafrir serves as Chairperson of the committee. All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and the Nasdaq corporate governance rules. Our board of directors has determined that each of Daniel Azriel, Eti Mitrany and Eynat Tsafrir is an audit committee financial expert as defined by SEC rules and has the requisite financial experience as defined by the Nasdaq listing rules.

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

Approval of Transactions with Related Parties

The approval of the audit committee is required to effect specified actions and transactions with office holders and controlling shareholders and their relatives, or in which they have a personal interest. See "Management—Fiduciary Duties and Approval of Specified Related Party Transactions and Compensation under Israeli Law." The audit committee may not approve an action or a transaction with a controlling shareholder or with an office holder unless at the time of approval the audit committee meets the composition requirements under the Israeli Companies Law.

Audit Committee Charter

Our board of directors will adopt an audit committee charter effective immediately after the pricing of this offering setting forth the responsibilities of the audit committee consistent with the rules of the SEC and the Nasdaq corporate governance rules, which include:

- retaining and terminating our independent auditors, subject to board of directors and shareholder ratification;
- overseeing the independence, compensation and performance of our independent auditors;
- the appointment, compensation, retention and oversight of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit services;
- pre-approval of audit and non-audit services to be provided by the independent auditors;
- reviewing with management and our independent directors our financial statements prior to their submission to the SEC; and
- approval of certain transactions with office holders and controlling shareholders, as described below, and other related party transactions.

Additionally, under the Israeli Companies Law, the role of the audit committee includes the identification of irregularities in our business management, among other things, by consulting with the internal auditor or our independent auditors and suggesting an appropriate course of action to the board of directors. In addition, the audit committee or the board of directors, as set forth in the articles of association of the company, is required to approve the yearly or periodic work plan proposed

by the internal auditor. The audit committee is required to assess the company's internal audit system and the performance of its internal auditor. The Israeli Companies Law also requires that the audit committee assess the scope of the work and compensation of the company's external auditor. In addition, the audit committee is required to determine whether certain related party actions and transactions are "material" or "extraordinary" for the purpose of the requisite approval procedures under the Israeli Companies Law and whether certain transactions with a controlling shareholder will be subject to a competitive procedure. The audit committee charter states that in fulfilling its role the committee is empowered to conduct or authorize investigations into any matters within its scope of responsibilities. A company whose audit committee's composition also meets the requirements set for the composition of a compensation committee (as further detailed below) may have one committee acting as both audit and compensation committees.

Compensation Committee

Under the Israeli Companies Law, public companies are required to appoint a compensation committee in accordance with the guidelines set forth thereunder.

The compensation committee must consist of at least three members. All of the external directors, if any, must serve on the committee and constitute a majority of its members. The chairman of the compensation committee must be an external director. The remaining members are not required to be external directors, but must be directors who qualify to serve as members of the audit committee (as described above).

The compensation committee, which consists of Avner Hagai, Eti Mitrany and Eynat Tsafrir, assists the board of directors in determining compensation for our directors and officers. Eti Mitrani serves as Chairperson of the committee. Under SEC and Nasdaq rules, there are heightened independence standards for members of the compensation committee, including a prohibition against the receipt of any compensation from us other than standard supervisory board member fees. Although foreign private issuers are not required to meet this heightened standard, our board of directors has determined that all of our expected compensation committee members meet this heightened standard.

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

(1) to recommend to the board of directors the compensation policy for directors and officers, and to recommend to the board of directors once every three years whether the compensation policy that had been approved should be extended for a period of more than three years;

(2) to recommend to the board of directors updates to the compensation policy, from time to time, and examine its implementation;

(3) to decide whether to approve the terms of office and employment of directors and officers that require approval of the compensation committee; and

(4) to decide whether the compensation terms of the chief executive officer, which were determined pursuant to the compensation policy, will be exempted from approval by the shareholders because such approval would harm the ability to engage the chief executive officer.

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

Pursuant to regulations promulgated under the Israeli Companies Law, we intend to comply with the requirements of the Nasdaq with respect to the composition of our audit committee and compensation committee and not follow the Israeli Companies Law requirements with respect to the composition of such committee. See "Management—Our Board of Directors".

In general, under the Israeli Companies Law, a public company must have a compensation policy approved by the board of directors after receiving and considering the recommendations of the compensation committee. In addition, the compensation policy requires the approval of the general meeting of the shareholders. In public companies such as our Company, shareholder approval requires one of the following: (i) the majority of shareholder votes counted at a general meeting including the majority of all of the votes of those shareholders who are non-controlling shareholders and do not have a personal interest in the approval of the compensation policy, who vote at the meeting (excluding abstentions) or (ii) the total number of votes against the proposal among the shareholders mentioned in paragraph (i) does exceed two percent (2%) of the voting rights in the company. Under special circumstances, the board of directors may approve the compensation policy despite the objection of the shareholders on the condition that the compensation committee and then the board of directors decide, on the basis of detailed arguments and after discussing again the compensation policy, that approval of the compensation policy, despite the objection of the meeting of shareholders, is for the benefit of the company.

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

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

- the education, skills, experience, expertise and accomplishments of the relevant office holder;
- the office holder's position, responsibilities and prior compensation agreements with him or her;
- the ratio between the cost of the terms of employment of an office holder and the cost of the employment of other employees of the company, including employees employed through contractors who provide services to the company, in particular the ratio between such cost, the average and median salary of the employees of the company, as well as the impact of such disparities on the work relationships in the company;
- if the terms of employment include variable components—the possibility of reducing variable components at the discretion of the board of directors and the possibility of setting a limit on the value of variable equity-based components not settled in cash; and
- if the terms of employment include severance compensation—the term of employment or office of the office holder, the terms of his or her compensation during such period, the company's performance during the such period, his or her individual contribution to the achievement of the company goals and the maximization of its profits and the circumstances under which he or she is leaving the company.

The compensation policy must also include, among others:

- with regards to variable components in the terms of office and employment:
    - with the exception of office holders who report directly to the chief executive officer, determining the variable components on long-term performance basis and on measurable criteria; however, the company may determine that an immaterial part of the variable components of the compensation package of an office holder's shall be awarded based on non-measurable criteria, if such amount is not higher than three monthly salaries per annum, while taking into account such office holder contribution to the company;

- the ratio between variable and fixed components, as well as the limit of the values of variable components at the time of their payment. However, with respect to variable equity-based components that are not settled in cash, the limit of their value at the time of grant.

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

- the minimum holding or vesting period of variable equity-based components to be set in the terms of office or employment, as applicable, while taking into consideration long-term incentives; and

- a limit to retirement grants.

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

Our compensation policy also addresses our executive officer's individual characteristics (such as his or her respective position, education, scope of responsibilities and contribution to the attainment of our goals) as the basis for compensation variation among our senior management, and considers the internal ratios between compensation of our senior management and directors and other employees. Pursuant to our compensation policy, the compensation that may be granted to an executive officer may include: base salary, indemnification and insurance, annual bonuses and other cash bonuses (such as a signing bonus and special bonuses with respect to any special achievements, such as outstanding personal achievement, outstanding personal effort or outstanding company performance), equity-based compensation, social benefits and retirement and termination of service arrangements. All cash bonuses are limited to a maximum amount linked to the executive officer's base salary. In addition, the total variable compensation components (cash bonuses and equity-based compensation) may not exceed 60% of each executive officer's total compensation package with respect to any given calendar year.

An annual cash bonus may be awarded to senior management upon the attainment of pre-set periodic objectives and individual targets. The annual cash bonus that may be granted to our senior management other than our chief executive officer will be based on performance objectives and a discretionary evaluation of the executive officer's overall performance by our chief executive officer and subject to minimum thresholds. The annual cash bonus that may be granted to senior management other than our chief executive officer may be based in a rate of up to 20% on a discretionary evaluation. Furthermore, our chief executive officer will be entitled to recommend performance objectives, and such performance objectives will be approved by our compensation committee (and, if required by law, by our board of directors).

The performance measurable objectives of our chief executive officer will be determined annually by our compensation committee and board of directors, will include the weight to be assigned to each achievement in the overall evaluation. A portion of up to 40% the chief executive officer's annual cash bonus may be based on a discretionary evaluation of the chief executive officer's overall performance by the compensation committee and the board of directors based on quantitative and qualitative criteria.

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

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

Our compensation policy also provides for compensation to the members of our board of directors either (i) in accordance with the amounts provided in the Companies Regulations (Rules Regarding the Compensation and Expenses of an External Director) of 2000, as amended by the Companies Regulations (Relief for Public Companies Traded in Stock Exchange Outside of Israel) of 2000, as such regulations may be amended from time to time, or (ii) in accordance with the amounts determined in our compensation policy.

Our compensation policy was approved by our board of directors and our shareholders on September 6, 2018.

Internal Auditor

Under the Israeli Companies Law, the board of directors of a public company must appoint an internal auditor based on the recommendation of the audit committee. The role of the internal auditor is, among other things, to examine whether a company's actions comply with applicable law and orderly business procedure. Under the Israeli Companies Law, the internal auditor may not be an interested party or an office holder or a relative of an interested party or of an office holder, nor may the internal auditor be the company's independent auditor or the representative of the same.

An "interested party" is defined in the Israeli Companies Law as (i) a holder of 5% or more of the issued share capital or voting power in a company, (ii) any person or entity who has the right to designate one or more directors or to designate the chief executive officer of the company, or (iii) any person who serves as a director or as a chief executive officer of the company. As of the date of this prospectus, we have not yet appointed our internal auditor.

Fiduciary Duties and Approval of Specified Related Party Transactions and Compensation under Israeli Law

Fiduciary Duties and Duty of Care of Office Holders

The Israeli Companies Law imposes a duty of care and a fiduciary duty on all office holders of a company. The duty of care of an office holder is based on the duty of care set forth in connection with the tort of negligence under the Israeli Torts Ordinance (New Version) 5728-1968. This duty of care requires an office holder to act with the degree of proficiency with which a reasonable office holder in

the same position would have acted under the same circumstances. The duty of care includes, among other things, a duty to use reasonable means, in light of the circumstances, to obtain:

- information on the business advisability of a given action brought for his or her approval or performed by virtue of his or her position; and
- all other important information pertaining to such action.

The fiduciary duty incumbent on an office holder requires him or her to act in good faith and for the benefit of the company, and includes, among other things, the duty to:

- refrain from any act involving a conflict of interest between the performance of his or her duties in the company and his or her other duties or personal affairs;
- refrain from any activity that is competitive with the business of the company;
- refrain from exploiting any business opportunity of the company for the purpose of gaining a personal advantage for himself or herself or others; and
- disclose to the company any information or documents relating to the company's affairs which the office holder received as a result of his or her position as an office holder.

We may approve an act specified above which would otherwise constitute a breach of the office holder's fiduciary duty, provided that the office holder acted in good faith, the act or its approval does not harm the company, and the office holder discloses his or her personal interest, including any material fact or document, a reasonable time before consideration of the approval of such act. Any such approval is subject to the terms of the Israeli Companies Law, setting forth, among other things, the appropriate bodies of the company entitled to provide such approval, and the methods of obtaining such approval.

Disclosure of Personal Interests of an Office Holder and Approval of Transactions

The Israeli Companies Law requires that an office holder disclose to the company without delay any personal interest that he or she may have and all related material information or documents relating to any existing or proposed transaction by the company. An interested office holder's disclosure must be made without delay and in any event no later than the first meeting of the board of directors at which the transaction is considered. An office holder is not obliged to disclose such information if the personal interest of the office holder derives solely from the personal interest of his or her relative in a transaction that is not considered an extraordinary transaction.

Under the Israeli Companies Law, once an office holder has complied with the above disclosure requirement, a company may approve a transaction between the company and the office holder or a third party in which the office holder has a personal interest. However, a company may not approve a transaction or action that is not to the company's benefit.

Under the Israeli Companies Law, unless the articles of association of a company provide otherwise, a transaction with an office holder or with a third party in which the office holder has a personal interest, which is not an extraordinary transaction, requires approval by the board of directors. If the transaction considered is an extraordinary transaction with an office holder or third party in which the office holder has a personal interest, then audit committee approval is required prior to approval by the board of directors. For the approval of compensation arrangements with directors and senior management, see "Management—Disclosure of Compensation of Directors and Senior Management."

Any persons who have a personal interest in the approval of a transaction that is brought before a meeting of the board of directors or the audit committee, except for a transaction with an office holder or with a third party in which the office holder has a personal interest, which is not an extraordinary

transaction, may not be present at the meeting or vote on the matter. However, if the chairman of the board of directors or the chairman of the audit committee has determined that the presence of an office holder with a personal interest is required, such office holder may be present at the meeting for the purpose of presenting the matter. Notwithstanding the foregoing, a director who has a personal interest may be present at the meeting and vote on the matter if a majority of the directors or members of the audit committee have a personal interest in the approval of such transaction. If a majority of the directors at a board of directors meeting have a personal interest in the transaction, such transaction also requires approval of the shareholders of the company.

A "personal interest" is defined under the Israeli Companies Law as the personal interest of a person in an action or in a transaction of the company, including the personal interest of such person's relative or the interest of any other corporate body in which the person and/or such person's relative is a director or general manager, a 5% shareholder or holds 5% or more of the voting rights, or has the right to appoint at least one director or the general manager, but excluding a personal interest stemming solely from the fact of holding shares in the company. A personal interest also includes (1) a personal interest of a person who votes according to a proxy of another person, including in the event that the other person has no personal interest, and (2) a personal interest of a person who gave a proxy to another person to vote on his or her behalf regardless of whether or not the discretion of how to vote lies with the person voting.

An "extraordinary transaction" is defined under the Israeli Companies Law as any of the following:

- a transaction other than in the ordinary course of business;
- a transaction that is not on market terms; or
- a transaction that may have a material impact on the company's profitability, assets or liabilities.

Disclosure of Personal Interests of a Controlling Shareholder and Approval of Transactions

The Israeli Companies Law also requires that a controlling shareholder disclose to the company without delay any personal interest that he or she may have and all related material information or documents relating to any existing or proposed transaction by the company. A controlling shareholder's disclosure must be made without delay and in any event no later than the first meeting of the board of directors at which the transaction is considered. Extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest, including a private placement in which a controlling shareholder has a personal interest, and the terms of engagement of the company, directly or indirectly, with a controlling shareholder or a controlling shareholder's relative (including through a corporation controlled by a controlling shareholder), regarding the company's receipt of services from the controlling shareholder, and if such controlling shareholder is also an office holder or employee of the company, regarding his or her terms of employment, require the approval of each of (i) the audit committee or the compensation committee with respect to the terms of the engagement of the company, (ii) the board of directors and (iii) the shareholders, in that order. In addition, the shareholder approval must fulfill one of the following requirements:

- a majority of the shares held by shareholders who have no personal interest in the transaction and are voting at the meeting must be voted in favor of approving the transaction, excluding abstentions; or
- the shares voted by shareholders who have no personal interest in the transaction who vote against the transaction represent no more than two percent (2%) of the voting rights in the company.

In addition, an extraordinary transaction with a controlling shareholder or in which a controlling shareholder has a personal interest, and an engagement of the company, directly or indirectly, with a controlling shareholder or a controlling shareholder's relative (including through a corporation controlled by a controlling shareholder), regarding the company's receipt of services from the controlling shareholder, and if such controlling shareholder is also an office holder or employee of the company, regarding his or her terms of employment, in each case with a term of more than three years requires the abovementioned approval every three years; however, transactions not involving the receipt of services or compensation can be approved for a longer term, provided that the audit committee determines that such longer term is reasonable under the circumstances. In addition, transactions with a controlling shareholder or a controlling shareholder's relative who serves as an officer in a company, directly or indirectly (including through a corporation under his control), involving the receipt of services by a company or their compensation can have a term of five years from the company's initial public offering under certain circumstances.

The Israeli Companies Law requires that every shareholder that participates, in person, by proxy or by voting instrument, in a vote regarding a transaction with a controlling shareholder, must indicate in advance or in the ballot whether or not that shareholder has a personal interest in the vote in question. Failure to so indicate will result in the invalidation of that shareholder's vote.

Duties of Shareholders

Under the Israeli Companies Law, a shareholder has a duty to act in good faith and in an acceptable manner in exercising its rights and performing its obligations towards the company and other shareholders and to refrain from abusing its power in the company, including, among other things, when voting at meetings of shareholders on the following matters:

- an amendment to the articles of association;
- an increase in the company's authorized share capital;
- a merger; and
- the approval of related party transactions and acts of office holders that require shareholder approval.

A shareholder also has a general duty to refrain from discriminating against other shareholders.

The remedies generally available upon a breach of contract will also apply to a breach of the shareholder duties mentioned above, and in the event of discrimination against other shareholders, additional remedies may be available to the injured shareholder.

In addition, any controlling shareholder, any shareholder that knows that its vote can determine the outcome of a shareholder vote and any shareholder that, under a company's articles of association, has the power to appoint or prevent the appointment of an office holder, or any other power with respect to a company, is under a duty to act with fairness towards the company. The Israeli Companies Law does not describe the substance of this duty except to state that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty to act with fairness, taking the shareholder's position in the company into account.

Approval of Private Placements

Under the Israeli Companies Law and the regulations promulgated thereunder, a private placement of securities does not require approval at a general meeting of the shareholders of a company; provided however, that in special circumstances, such as a private placement which is intended to obviate the need to conduct a special tender offer (see "Description of Share Capital—Acquisitions under Israeli Law") or a private placement which qualifies as a related party transaction

(see "Management—Fiduciary Duties and Approval of Specified Related Party Transactions and Compensation under Israeli Law"), approval at a general meeting of the shareholders of a company is required.

Exculpation, Insurance and Indemnification of Directors and Officers

Under the Israeli Companies Law, a company may not exculpate an office holder from liability for a breach of the fiduciary duty. An Israeli company may exculpate an office holder in advance from liability to the company, in whole or in part, for damages caused to the company as a result of a breach of the office holder's duty of care but only if a provision authorizing such exculpation is included in its articles of association. Our articles of association include such a provision. A company may not exculpate in advance a director from liability arising due to the breach of his or her duty of care in connection with dividend or distribution to shareholders.

Under the Israeli Companies Law and the Israeli Securities Law, 5728-1968 (the "Israeli Securities Law") a company may indemnify an office holder in respect of the following liabilities, payments and expenses incurred for acts performed by him or her as an office holder, either in advance of an event or following an event, provided its articles of association include a provision authorizing such indemnification:

- a monetary liability incurred by or imposed on the office holder in favor of another person pursuant to a court judgment, including pursuant to a settlement confirmed as judgment or arbitrator's decision approved by a competent court. However, if an undertaking to indemnify an office holder with respect to such liability is provided in advance, then such an undertaking must be limited to events which, in the opinion of the board of directors, can be foreseen based on the company's activities when the undertaking to indemnify is given, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and such undertaking shall detail the abovementioned foreseen events and amount or criteria;

- reasonable litigation expenses, including reasonable attorneys' fees, which were incurred by the office holder as a result of an investigation or proceeding filed against the office holder by an authority authorized to conduct such investigation or proceeding, provided that such investigation or proceeding was either (i) concluded without the filing of an indictment against such office holder and without the imposition on him of any monetary obligation in lieu of a criminal proceeding; (ii) concluded without the filing of an indictment against the office holder but with the imposition of a monetary obligation on the office holder in lieu of criminal proceedings for an offense that does not require proof of criminal intent; or (iii) in connection with a monetary sanction;

- a monetary liability imposed on the office holder in favor of a payment for a breach offended at an Administrative Procedure (as defined below) as set forth in Section 52(54)(a)(1)(a) to the Israeli Securities Law;

- expenses expended by the office holder with respect to an Administrative Procedure under the Israeli Securities Law, including reasonable litigation expenses and reasonable attorneys' fees;

- reasonable litigation expenses, including attorneys' fees, incurred by the office holder or which were imposed on the office holder by a court (i) in a proceeding instituted against him or her by the company, on its behalf, or by a third party, (ii) in connection with criminal indictment of which the office holder was acquitted, or (iii) in a criminal indictment which the office holder was convicted of an offense that does not require proof of criminal intent; and

- any other obligation or expense in respect of which it is permitted or will be permitted under applicable law to indemnify an office holder, including, without limitation, matters referenced in Section 56H(b)(1) of the Israeli Securities Law.

An "Administrative Procedure" is defined as a procedure pursuant to chapters H3 (Monetary Sanction by the Israeli Securities Authority), H4 (Administrative Enforcement Procedures of the Administrative Enforcement Committee) or I1 (Arrangement to prevent Procedures or Interruption of procedures subject to conditions) to the Israeli Securities Law.

Under the Israeli Companies Law and the Israeli Securities Law, a company may insure an office holder against the following liabilities incurred for acts performed by him or her as an office holder if and to the extent provided in the company's articles of association:

- a breach of the fiduciary duty to the company, provided that the office holder acted in good faith and had a reasonable basis to believe that the act would not harm the company;
- a breach of duty of care to the company or to a third party, to the extent such a breach arises out of the negligent conduct of the office holder;
- a monetary liability imposed on the office holder in favor of a third party;
- a monetary liability imposed on the office holder in favor of an injured party at an Administrative Procedure pursuant to Section 52(54)(a)(1)(a) of the Israeli Securities Law; and
- expenses incurred by an office holder in connection with an Administrative Procedure, including reasonable litigation expenses and reasonable attorneys' fees.

Under the Israeli Companies Law, a company may not indemnify, exculpate or insure an office holder against any of the following:

- a breach of the fiduciary duty, except for indemnification and insurance for a breach of the fiduciary duty to the company to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach of duty of care committed intentionally or recklessly, excluding a breach solely arising out of the negligent conduct of the office holder;
- an act or omission committed with intent to derive illegal personal benefit; or
- a fine, civil fine, financial sanction or forfeit levied against the office holder.

Under the Israeli Companies Law, exculpation, indemnification and insurance of office holders must be approved by the compensation committee and the board of directors and, with respect to directors or controlling shareholders, their relatives and third parties in which controlling shareholders have a personal interest, also by the shareholders.

Our articles of association permit us to exculpate, indemnify and insure our office holders to the fullest extent permitted or to be permitted by law. Our office holders are currently covered by a directors' and officers' liability insurance policy. As of the date of this prospectus, no claims for directors' and officers' liability insurance have been filed under this policy and we are not aware of any pending or threatened litigation or proceeding involving any of our office holders, including our directors, in which indemnification is sought.

Employment and Consulting Agreements with Senior Management

We have entered into written employment or service agreements with each member of our senior management. See "Certain Relationships and Related Party Transactions—Employment Agreements" for additional information.

Directors' Service Contracts

There are no arrangements or understandings between us, on the one hand, and any of our directors, on the other hand, providing for benefits upon termination of their employment or service as directors of our Company.

Share Incentive Plan

On May 29, 2014, we adopted the Share Incentive Plan, as amended from time to time, or the Plan. The Plan is intended to afford an incentive to our and any of our affiliate's employees, directors, officers, consultants, advisors and any other person or entity who provides services to the Company, its subsidiaries and affiliates, to continue as service providers, to increase their efforts on our and our affiliates behalf and to promote our success, by providing such persons with opportunities to acquire a proprietary interest in us.

Under the Plan, as amended and restated, we may issue options to purchase up to 3,500,000 of our ordinary shares. As of September 30, 2018, options to purchase 1,350,059 ordinary shares, at a weighted average exercise price of $7.32 per share, were outstanding, including options to purchase 1,209,859 ordinary shares previously issued under our Plan. After September 30, 2018, we issued options to purchase an additional 1,008,000 ordinary shares, at a weighted average price of $6.46 per share, under our Plan. Accordingly, there are options to purchase an additional 1,286,308 ordinary shares reserved for future issuance under our Plan. The option pool under the Plan is subject to adjustment if particular capital changes affect our share capital or such other number as our board of directors may determine from time to time. Ordinary shares subject to outstanding awards under the Plan that subsequently expire, are cancelled, forfeited, repurchased or terminated for any reason before being exercised will be automatically, and without any further action, returned to the "pool" of reserved shares and will again be available for grant under the Plan.

A stock option is the right to purchase a specified number of ordinary shares in the future at a specified exercise price and subject to the other terms and conditions specified in the option agreement and the Plan. The exercise price of each stock option granted under the Plan will be determined in accordance with the limitations set forth under the Plan. The exercise price of any stock options granted under the Plan may be paid in cash, through "cashless exercise" mechanism or any other method that may be approved by our compensation committee, which may include procedures for cashless exercise.

Our compensation committee may also grant, or recommend that our board of directors grant, other forms of equity incentive awards under the Plan, such as restricted shares, restricted share units, and other forms of share-based compensation.

Israeli participants in the Plan may be granted options subject to Section 102 of the Israeli Income Tax Ordinance (New Version), 1961, or the Israeli Tax Ordinance. Section 102 of the Israeli Tax Ordinance allows employees, directors and officers who are not controlling shareholders (as defined for those purposes under the Israeli Tax Ordinance) and are considered Israeli residents (and in certain cases also non-Israeli residents for the time they worked in Israel) to receive favorable tax treatment for compensation in the form of shares or options. Our non-employee service providers and controlling shareholders may only be granted options under another section of the Israeli Tax Ordinance, which does not provide for similar tax benefits. Section 102 includes two alternatives for tax treatment involving the issuance of options or shares to a trustee for the benefit of the grantees and also includes an additional alternative for the issuance of options or shares directly to the grantee. Commonly, the most favorable tax treatment for the grantees is under Section 102(b)(2) of the Israeli Tax Ordinance, the issuance to a trustee under the "capital gain track." However, under this track we are not allowed to deduct an expense with respect to the issuance of the options or shares. Any options granted under the Plan to participants in the United States will be either "incentive stock options," which may be

eligible for special tax treatment under the Internal Revenue Code of 1986, or options other than incentive stock options (referred to as "nonqualified stock options"), as determined by our compensation committee or our board of directors and stated in the option agreement.

Our compensation committee administers the Plan, or if determined otherwise by our board of directors, the Plan will be administered by our board of directors or other designated committee on its behalf. Even if the compensation committee or any other committee was appointed by our board of directors in order to administrate the Plan, our board of directors may, subject to any legal limitations, exercise any powers or duties of the compensation committee or any other committee concerning the Plan. The compensation committee will, among others, select which eligible persons will receive options or other awards under the Plan and will determine, or recommend to our board of directors, the number of ordinary shares covered by those options or other awards, the terms under which such options or other awards may be exercised (however, vested options generally may not be exercised later than ten years from the grant date of an option and a lesser period if the grantee ceased to be employed by, or provide services to, the company) or may be settled or paid, and the other terms and conditions of such options and other awards under the Plan. All awards granted under the Plan shall not be transferable other than by will or by the laws of descent and distribution, unless otherwise determined by our compensation committee.

To the extent permitted under applicable law, our compensation committee will have the authority to accelerate the vesting of any outstanding awards at such time and under such circumstances as it, in its sole discretion, deems appropriate. In the event of a change of control, as defined in the Plan, any award then outstanding shall be assumed or an equivalent award shall be substituted by the successor corporation of the merger or sale or any parent or affiliate thereof as determined by our board of directors. In the event that the awards are not assumed or substituted, our compensation committee may, in its discretion, accelerate the vesting, exercisability of the outstanding award, or provide for the cancellation of such award and payment of cash, as determined to be fair in the circumstances.

Subject to particular limitations specified in the Plan and under applicable law, our board of directors may amend or terminate the Plan, and the compensation committee may amend awards outstanding under the Plan. In addition, an amendment to the Plan that requires shareholder approval under applicable law will not be effective unless approved by the requisite vote of shareholders. In addition, in general, no suspension, termination, modification or amendment of the Plan may adversely affect any award previously granted without the written consent of grantees holding a majority in interest of the awards so affected. The Plan will continue in effect until all ordinary shares available under the Plan are delivered and all restrictions on those shares have lapsed, unless the Plan is terminated earlier by our board of directors. No awards may be granted under the Plan on or after the tenth anniversary of the date of adoption of the plan unless our board of directors chooses to extend the term.

Any equity award to an office holder, director or controlling shareholder, whether under the Plan or otherwise, may be subject to further approvals in addition to the approval of the compensation committee as described above. See "Management—Fiduciary Duties and Approval of Specified Related Party Transactions and Compensation under Israeli Law."

Code of Business Conduct and Ethics

Effective upon the closing of this offering, we will adopt a Code of Business Conduct and Ethics, or the Code of Conduct, applicable to all of our employees, senior management and directors. Following the closing of this offering, the Code of Conduct will be available on our website at www.brainsway.com. The nominating and corporate governance committee of our board of directors will be responsible for overseeing the Code of Conduct and must approve any waivers of the Code of Conduct for employees, senior management and directors. In addition, we intend to post on our website all disclosures that are required by law or the listing standards of the applicable stock exchange concerning any amendments to, or waivers from, any provision of the Code of Conduct.

PRINCIPAL SHAREHOLDERS

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of September 30, 2018 by:

- each person or entity known by us to own beneficially 5% or more of our outstanding ordinary shares;
- our directors and members of senior management who are among our five highest compensated directors and officers, or our Named Directors and Officers; and
- all of our directors and members of senior management as a group.

The beneficial ownership of our ordinary shares is determined in accordance with the rules of the SEC. Under these rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or to direct the voting of the security, or investment power, which includes the power to dispose of or to direct the disposition of the security. For purposes of the table below, we deem ordinary shares issuable pursuant to options that are currently exercisable or exercisable within 60 days of September 30, 2018, if any, to be outstanding and to be beneficially owned by the person holding the options for the purposes of computing the percentage ownership of that person, but we do not treat them as outstanding for the purpose of computing the percentage ownership of any other person. The percentage of ordinary shares beneficially owned prior to the offering is based on 16,640,446 ordinary shares outstanding as of September 30, 2018. The percentage of ordinary shares beneficially owned after the offering is based on the number of shares outstanding prior to the offering, plus the ordinary shares that we are selling in this offering.

The percentages of ordinary shares beneficially owned after the offering assume that the underwriters will not exercise their option to purchase additional ordinary shares in the offering. Except where otherwise indicated, we believe, based on information furnished to us by such owners, that the beneficial owners of the ordinary shares listed below have sole investment and voting power with respect to such shares.

Upon the closing of this offering, none of our shareholders will have different voting rights from other shareholders. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our Company.

As of September 30, 2018, there was one shareholder of record of our ordinary shares. The number of record holders is not representative of the number of beneficial holders of our ordinary shares, as the shares of all our shareholders who hold ordinary shares that are traded on the TASE are recorded in the name of our Israeli share registrar, Registration Co. of United Mizrahi Bank Ltd. As of September 30, 2018, there were no U.S. persons that were holders of record of our ordinary shares.

Unless otherwise noted below, the address for each beneficial owner is c/o Brainsway Ltd., 19 Hartum Street, Bynet Building 3rd Floor, Har HaHotzvim, Jerusalem, 9777518, Israel.

	Shares Beneficially Owned Prior to the Offering		Percentage Beneficially Owned After the Offering
Name of Beneficial Owner	**Number**	**Percentage**	
5% or Greater Shareholders			
The Phoenix Provident Funds(1)	1,858,731	11.17%	
Dr. David Zacut	1,769,297	10.63%	
Avner Hagai(2)	1,716,567	10.32%	
Dr. Yiftach Roth	1,083,390	6.51%	
Prof. Avraham Zangen(3)	940,000	5.65%	
IBI Mutual Fund(4)	880,182	5.29%	
Named Directors and Officers			
Dr. David Zacut	1,769,297	10.63%	
Yaacov Michlin(5)	295,304	1.75%	
Joseph Perekupka(6)	50,000	*	
Hadar Levy(7)	146,667	*	
Amit Ginou(8)	47,833	*	
All directors and members of senior management as a group	8,787,970	52.8%	

* Denotes less than 1% beneficial ownership

(1) The shares are held directly by Phoenix Provident Fund, Phoenix Holdings Ltd. and Excellence Investments Ltd. (collectively, the "Phoenix Provident Funds"). The address of each of the Phoenix Provident Funds is HaShalom Road 53 Giv'atayim, 5345433, Israel.

(2) This consists of shares held directly by Mr. Hagai as well as shares held by family members or affiliates of Mr. Hagai.

(3) The address of Prof. Avraham Zangen is Mish'ol HaHadas 23, Jerusalem, Israel.

(4) The address of IBI Mutual Fund is 9 Ahad Ha'am Street, Tel-Aviv, 61291, Israel.

(5) Consists of 22,500 ordinary shares and options to purchase 272,804 ordinary shares currently exercisable or exercisable within 60 days.

(6) Consists of options to purchase 50,000 ordinary shares currently exercisable or exercisable within 60 days.

(7) Consists of options to purchase 146,667 ordinary shares currently exercisable or exercisable within 60 days.

(8) Consists of options to purchase 47,333 ordinary shares currently exercisable or exercisable within 60 days.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Related Party Transaction Procedures

The Israeli Companies Law provides for special approval processes for transactions with controlling shareholders, directors and officers. See "Management—Fiduciary Duties and Approval of Specified Related Party Transactions and Compensation under Israeli Law."

Employment Agreements

We have entered into written employment agreements with each member of our senior management. These agreements provide for notice periods of varying duration for termination of the agreement by us or by the relevant executive officer, during which time the executive officer will continue to receive base salary and benefits. These agreements also contain customary provisions regarding noncompetition, confidentiality of information and assignment of inventions. However, the enforceability of the noncompetition provisions may be limited under applicable law. See "Risk Factors—Risks Related to Employee Matters—Under applicable employment laws, we may not be able to enforce covenants not to compete".

Consulting Agreement with Prof. Avraham Zangen

We have entered into a consulting agreement with Prof. Avraham Zangen, our scientific founder and greater than 5% shareholder, under which Prof. Zangen provides advisory services to us in the field of neurobiology. This agreement provides for a notice period of 180 days for termination of the agreement by Prof. Zangen and 30 days for termination of the agreement by us.

Option Grants

Each of our directors and members of senior management are participants in our Share Incentive Plan, pursuant to which they receive from time to time grants of options to purchase our ordinary shares. For more information, see "Management—Share Incentive Plan".

Since January 1, 2016, we granted options to purchase 1,601,762 ordinary shares to employees and directors, with a weighted average exercise price of $6.11 per share.

Directors and Officers Insurance Policy and Indemnification Agreements

Our articles of association permit us to exculpate, indemnify and insure each of our directors and officers to the fullest extent permitted by the Israeli Companies Law. We have obtained directors and officers insurance for each of our senior management and directors.

We have provided an undertaking to our directors and senior management to indemnify them for certain liabilities, subject to limited exceptions, to the extent that these liabilities are not covered by insurance. This indemnification is limited, with respect to any monetary liability imposed in favor of a third party, to events determined as foreseeable by the board of directors based on our activities. The maximum aggregate amount of indemnification that we may pay to our directors and senior management based on such indemnification undertaking is $5 million (as may be increased from time to time by shareholders' approval). Such indemnification amounts are in addition to any insurance amounts. We intend to amend our indemnification undertakings to our directors and senior management prior to this offering to provide for indemnification to the fullest extent permitted by law.

DESCRIPTION OF SHARE CAPITAL

General

Our authorized share capital consists of 25,000,000 ordinary shares, par value NIS 0.04 per share, of which, as of September 30, 2018, there were 16,640,446 ordinary shares issued and outstanding. In connection with this offering we intend to increase our authorized share capital to ordinary shares, of which upon the closing of this offering, ordinary shares will be issued and outstanding (assuming that the underwriters do not exercise their option to purchase additional ordinary shares).

All of our outstanding ordinary shares are and will be validly issued, fully paid and non-assessable. Our ordinary shares are not redeemable and do not have any preemptive rights.

As of September 30, 2018, there were outstanding options to purchase an aggregate of 1,350,059 shares of our ordinary shares, with a weighted-average exercise price of $7.32 per ordinary share. After September 30, 2018, we issued options to purchase an additional 1,008,000 ordinary shares, at a weighted average exercise price of $6.46 per ordinary share. In addition, there are options to purchase an additional 1,286,308 ordinary shares reserved for future issuance under our Share Incentive Plan.

As of September 30, 2018, there was an outstanding warrant to purchase 59,761 shares of our ordinary shares, with an exercise price of $5.02 per share and expiry date of October 8, 2022, held by Mizrahi Tefahot Bank.

Establishment

We were incorporated under the laws of the State of Israel on August 13, 2003. We are registered with the Israeli Registrar of Companies.

Registration Number and Purposes of the Company

Our registration number with the Israeli Registrar of Companies is 51-389076-4. Our purpose as set forth in our articles of association is to (1) research, develop, market and sell medical equipment for the treatment of the human brain; and (2) engage in any lawful activity, at the discretion of the directors and officers.

Voting Rights and Conversion

All ordinary shares will have identical voting and other rights in all respects.

Transfer of Shares

Our fully paid ordinary shares are issued in registered form and may be freely transferred under our articles of association, unless the transfer is restricted or prohibited by another instrument, applicable law or the rules of a stock exchange on which the shares are listed for trade. The ownership or voting of our ordinary shares by non-residents of Israel is not restricted in any way by our articles of association or the laws of the State of Israel, except for ownership by nationals of some countries that are, or have been, in a state of war with Israel.

Election of Directors

Our ordinary shares do not have cumulative voting rights for the election of directors. As a result, the holders of a majority of the voting power represented at a shareholders meeting have the power to elect all of our directors.

Under our articles of association, our board of directors must consist of not less than four (4) but no more than nine (9) directors, not including any external directors required to be appointed by the Israel Companies Law and not including up to two additional directors who are industry experts in our field of activity. Pursuant to our articles of association, the vote required to appoint a director is a simple majority vote of holders of our voting shares participating and voting at the relevant meeting. In addition, our articles of association allow our board of directors to appoint new directors to fill vacancies on the board of directors if the number of directors is below the maximum number provided in our articles. Furthermore, under our articles of association our directors (other than external directors, if any) are divided into three classes with staggered three-year terms. For a more detailed description on the composition of our board of election procedures of our directors, see "Management—Corporate Government Practices—Board of Directors."

Dividend and Liquidation Rights

We may declare a dividend to be paid to the holders of our ordinary shares in proportion to their respective shareholdings. Under the Israeli Companies Law, dividend distributions are determined by the board of directors and do not require the approval of the shareholders of a company unless the company's articles of association provide otherwise. Our articles of association do not require shareholder approval of a dividend distribution and provide that dividend distributions may be determined by our board of directors.

Pursuant to the Israeli Companies Law, the distribution amount is limited to the greater of retained earnings or earnings generated over the previous two years, according to our then last reviewed or audited financial statements, provided that the date of the financial statements is not more than six months prior to the date of the distribution, or we may distribute dividends that do not meet such criteria only with court approval. In each case, we are only permitted to distribute a dividend if our board of directors (and the court, if applicable), determines that there is no reasonable concern that payment of the dividend will prevent us from satisfying our existing and foreseeable obligations as they become due.

In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of our ordinary shares in proportion to their shareholdings. This right, as well as the right to receive dividends, may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future.

Exchange Controls

There are currently no Israeli currency control restrictions on remittances of dividends on our ordinary shares, proceeds from the sale of the shares or interest or other payments to non-residents of Israel, except for shareholders who are subjects of certain countries that are considered to be in a state of war with Israel at such time.

Shareholder Meetings

Under Israeli law, we are required to hold an annual general meeting of our shareholders once every calendar year that must be held no later than 15 months after the date of the previous annual general meeting. All general meetings other than the annual meeting of shareholders are referred to in our articles of association as special meetings. In accordance with our articles of association and the Israeli Companies Law, our board of directors may call special meetings whenever it sees fit, at such time and place, within or, following the closing of this offering, outside of Israel, as it may determine. In addition, the Israeli Companies Law provides that our board of directors is required to convene a special meeting upon the written request of (i) any two of our directors or one-quarter of the members of our board of directors or (ii) one or more shareholders holding, in the aggregate, either (a) 5% or

more of our outstanding issued shares and 1% or more of our outstanding voting power or (b) 5% or more of our outstanding voting power. This is different from the Delaware General Corporation Law, or the DGCL, which allows such right of shareholders to be denied by a provision in a company's certificate of incorporation.

Under Israeli law, one or more shareholders holding at least 1% of the voting rights at the general meeting may request that the board of directors include a matter in the agenda of a general meeting to be convened in the future, provided that it is appropriate to discuss such a matter at the general meeting.

Subject to the provisions of the Israeli Companies Law and the regulations promulgated thereunder, shareholders entitled to participate and vote at general meetings are the shareholders of record on a date to be decided by the board of directors, which may be between four and 40 days prior to the date of the meeting. Furthermore, the Israeli Companies Law requires that resolutions regarding the following matters must be passed at a general meeting of our shareholders:

- amendments to our articles of association;
- appointment or termination of our auditors;
- appointment of external directors (if applicable);
- approval of certain related party transactions;
- increases or reductions of our authorized share capital;
- mergers; and
- the exercise of our board of director's powers by a general meeting, if our board of directors is unable to exercise its powers and the exercise of any of its powers is required for our proper management.

Under our articles of association and the Israeli Companies Law, notice of a general meeting shall be published in at least two daily widely circulated newspapers in Hebrew; The Company shall give notice of a general meeting only to the shareholders registered in the registry. Our articles of association, in accordance with the provisions of the Israeli Companies Law requires that a notice of any annual general meeting or special general meeting be provided to shareholders at least 14 days prior to the meeting and if the agenda of the meeting includes the appointment or removal of directors, the approval of transactions with office holders or interested or related parties, or an approval of a merger, or as otherwise required under applicable law, notice must be provided at least 35 days prior to the meeting. Under the Israeli Companies Law, shareholders are not permitted to take action by written consent in lieu of a meeting.

Voting Rights

Quorum Requirements

Pursuant to our articles of association, holders of our ordinary shares have one vote for each ordinary share held on all matters submitted to a vote before the shareholders at a general meeting. Under our articles of association, the quorum required for general meetings of shareholders must consist of one or more shareholders present in person or by proxy holding $33^{1}/_{3}\%$ or more of the voting rights in the Company, which complies with the quorum requirements for general meetings under Nasdaq listing rules. A meeting adjourned for lack of a quorum will generally be adjourned to the same day of the following week at the same time and place, or to such other day, time or place as indicated by our board of directors if so specified in the notice of the meeting. At the reconvened meeting, any number of shareholders present in person or by proxy shall constitute a lawful quorum of, instead of $33^{1}/_{3}\%$ of the issued share capital as required under Nasdaq listing rules.

Vote Requirements

Our articles of association provide that all resolutions of our shareholders require a simple majority vote, unless otherwise required by the Israeli Companies Law. Under the Israeli Companies Law, each of (i) the approval of an extraordinary transaction with a controlling shareholder and (ii) the terms of employment or other engagement of the controlling shareholder of the company or such controlling shareholder's relative (even if not extraordinary) requires the approval described above under "Management—Fiduciary Duties and Approval of Specified Related Party Transactions and Compensation under Israeli Law—Disclosure of Personal Interests of a Controlling Shareholder and Approval of Transactions." Certain transactions with respect to remuneration of our office holders and directors require further approvals described above under "Management—Fiduciary Duties and Approval of Specified Related Party Transactions and Compensation under Israeli Law—Compensation of Directors and Senior management." Under our articles of association, any change to the rights and privileges of the holders of any class of our shares requires a simple majority of the class so affected. Another exception to the simple majority vote requirement is a resolution for the voluntary winding up, or an approval of a scheme of arrangement or reorganization, of the company pursuant to Section 350 of the Israeli Companies Law, which requires the approval of holders of 75% of the voting rights represented at the meeting, in person, by proxy or by voting deed and voting on the resolution.

Access to Corporate Records

Under the Israeli Companies Law, shareholders are provided access to minutes of our general meetings, our shareholders register and principal shareholders register, our articles of association, our financial statements and any document that we are required by law to file publicly with the Israeli Companies Registrar or the Israel Securities Authority. In addition, shareholders may request to be provided with any document related to an action or transaction requiring shareholder approval under the related party transaction provisions of the Israeli Companies Law. We may deny this request if we believe it has not been made in good faith or if such denial is necessary to protect our interest or protect a trade secret or patent.

Modification of Class Rights

Under the Israeli Companies Law and our articles of association, the rights attached to any class of share, such as voting, liquidation and dividend rights, may be amended by adoption of a resolution by the holders of a majority of the shares of that class present at a separate class meeting, or otherwise in accordance with the rights attached to such class of shares, in addition to the ordinary majority vote of all classes of shares voting together as a single class at a shareholder meeting, as set forth in our articles of association.

Acquisitions under Israeli Law

Full Tender Offer

A person wishing to acquire shares of an Israeli public company and who would as a result hold over 90% of the target company's issued and outstanding share capital is required by the Israeli Companies Law to make a tender offer to all of the company's shareholders for the purchase of all of the issued and outstanding shares of the company. A person wishing to acquire shares of a public Israeli company and who would as a result hold over 90% of the issued and outstanding share capital of a certain class of shares is required to make a tender offer to all of the shareholders who hold shares of the relevant class for the purchase of all of the issued and outstanding shares of that class. If the shareholders who do not accept the offer hold less than 5% of the issued and outstanding share capital of the company or of the applicable class, and more than half of the shareholders who do not have a personal interest in the offer accept the offer, all of the shares that the acquirer offered to

purchase will be transferred to the acquirer by operation of law. However, a tender offer will also be accepted if the shareholders who do not accept the offer hold less than 2% of the issued and outstanding share capital of the company or of the applicable class of shares.

Upon a successful completion of such a full tender offer, any shareholder that was an offeree in such tender offer, whether such shareholder accepted the tender offer or not, may, within six months from the date of acceptance of the tender offer, petition an Israeli court to determine whether the tender offer was for less than fair value and that the fair value should be paid as determined by the court. However, under certain conditions, the offeror may include in the terms of the tender offer that an offeree who accepted the offer will not be entitled to petition the Israeli court as described above.

If (a) the shareholders who did not respond or accept the tender offer hold at least 5% of the issued and outstanding share capital of the company or of the applicable class or the shareholders who accept the offer constitute less than a majority of the offerees that do not have a personal interest in the acceptance of the tender offer, or (b) the shareholders who did not accept the tender offer hold 2% or more of the issued and outstanding share capital of the company (or of the applicable class), the acquirer may not acquire shares of the company that will increase its holdings to more than 90% of the company's issued and outstanding share capital or of the applicable class from shareholders who accepted the tender offer.

Special Tender Offer

The Israeli Companies Law provides that an acquisition of shares of an Israeli public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of 25% or more of the voting rights in the company. This requirement does not apply if there is already another holder of at least 25% of the voting rights in the company. Similarly, the Israeli Companies Law provides that an acquisition of shares in a public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of more than 45% of the voting rights in the company, if there is no other shareholder of the company who holds more than 45% of the voting rights in the company, subject to certain exceptions.

A special tender offer must be extended to all shareholders of a company but the offeror is not required to purchase shares representing more than 5% of the voting power attached to the company's outstanding shares, regardless of how many shares are tendered by shareholders. A special tender offer may be consummated only if (i) at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer (excluding the purchaser and its controlling shareholder, holders of 25% or more of the voting rights in the company or any person having a personal interest in the acceptance of the tender offer or any other person acting on their behalf, including relatives and entities under such person's control). If a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

Under the DGCL there are no provisions relating to mandatory tender offers.

Merger

The Israeli Companies Law permits merger transactions if approved by each party's board of directors and, unless certain requirements described under the Israeli Companies Law are met, by a majority vote of each party's shares, and, in the case of the target company, a majority vote of each class of its shares voted on the proposed merger at a shareholders meeting.

For purposes of the shareholder vote, unless a court rules otherwise, the merger will not be deemed approved if a majority of the votes of the shares represented at the shareholders meeting that are held by parties other than the other party to the merger, or by any person (or group of persons acting in concert) who holds (or hold, as the case may be) 25% or more of the voting rights or the right to appoint 25% or more of the directors of the other party, vote against the merger. If, however, the merger involves a merger with a company's own controlling shareholder or if the controlling shareholder has a personal interest in the merger, then the merger is instead subject to the same special majority approval that governs all extraordinary transactions with controlling shareholders (as described under "Management—Fiduciary Duties and Approval of Specified Related Party Transactions and Compensation under Israeli Law—Disclosure of Personal Interests of a Controlling Shareholder and Approval of Transactions").

If the transaction would have been approved by the shareholders of a merging company but for the separate approval of each class or the exclusion of the votes of certain shareholders as provided above, a court may still approve the merger upon the request of holders of at least 25% of the voting rights of a company, if the court holds that the merger is fair and reasonable, taking into account the value to the parties to the merger and the consideration offered to the shareholders of the company.

Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of the merging entities, and may further give instructions to secure the rights of creditors.

In addition, a merger may not be consummated unless at least 50 days have passed from the date on which a proposal for approval of the merger was filed by each party with the Israeli Registrar of Companies and at least 30 days have passed from the date on which the merger was approved by the shareholders of each party.

Anti-Takeover Measures under Israeli Law

The Israeli Companies Law allows us to create and issue shares having rights different from those attached to our ordinary shares, including shares providing certain preferred rights with respect to voting, distributions or other matters and shares having preemptive rights. Under the provisions of the Israeli Securities Law we are not allowed to create and issue any class of shares providing different voting rights other than preferred shares which have preferred dividend rights and no voting rights. As of the closing of this offering, no preferred shares will be authorized under our articles of association. In the future, if we do authorize, create and issue a specific class of preferred shares, such class of shares, depending on the specific rights that may be attached to it, may have the ability to frustrate or prevent a takeover or otherwise prevent our shareholders from realizing a potential premium over the market value of their ordinary shares. The authorization and designation of a class of preferred shares will require an amendment to our articles of association, which requires the prior approval of the holders of a majority of the voting power attaching to our issued and outstanding shares at a general meeting. The convening of the meeting, the shareholders entitled to participate and the majority vote required to be obtained at such a meeting will be subject to the requirements set forth in the Israeli Companies Law as described above in "—Voting Rights."

As an Israeli company we are not subject to the provisions of Section 203 of the DGCL, which in general prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested shareholder" for a period of three years after the date of the transaction in which the person became an interested shareholder, unless the business combination is approved in a prescribed manner. For purposes of Section 203, a "business combination" includes a merger, asset sale or other transaction resulting in a financial benefit to the interested shareholder, and an "interested

shareholder" is a person who, together with affiliates and associates, owns, or within three years prior did own, 15% or more of the voting shares of a corporation.

Borrowing Powers

Pursuant to the Israeli Companies Law and our articles of association, our board of directors may exercise all powers and take all actions that are not required under law or under our articles of association to be exercised or taken by our shareholders, including the power to borrow money for company purposes.

Changes in Capital

Our articles of association enable us to increase or reduce our share capital. Any such changes are subject to the provisions of the Israeli Companies Law and must be approved by a resolution duly adopted by our shareholders at a general meeting. In addition, transactions that have the effect of reducing capital, such as the declaration and payment of dividends in the absence of sufficient retained earnings or profits, require the approval of both our board of directors and an Israeli court (if applicable).

Transfer Agent and Registrar

The transfer agent and registrar for our ordinary shares in the United States is and its address is .

Listing

We intend to apply to list our ordinary shares on The Nasdaq Global Market under the symbol "BWAY."

Home Country Practices

As a foreign private issuer whose shares will be listed on The Nasdaq Global Market, we are permitted to follow certain home country corporate governance practices instead of certain requirements of the rules of The Nasdaq Global Market. Pursuant to the "foreign private issuer exemption":

- we intend to establish a quorum requirement such that the quorum for any meeting of shareholders is two or more shareholders holding at least $33^{1}/_{3}\%$ of our voting rights, which complies with Nasdaq requirements; however, if the meeting is adjourned for lack of quorum, the quorum for such adjourned meeting will be any number of shareholders, instead of $33^{1}/_{3}\%$ of our voting rights;

- we also intend to follow Israeli corporate governance practice in lieu of Nasdaq Marketplace Rule 5635(c), which requires shareholder approval for certain dilutive events (such as issuances that will result in a change of control, certain transactions other than a public offering involving issuances of a 20% or greater interest in us and certain acquisitions of the shares or assets of another company) and prior to an issuance of securities when a stock option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, directors, employees or consultants. By contrast, under the Israeli Companies Law, shareholder approval is required (subject to certain limited exceptions) for, among other things: (a) transactions with directors concerning the terms of their service (including indemnification, exemption, and insurance for their service or for any other position that they may hold at a company); (b) extraordinary transactions with controlling shareholders of publicly held companies; (c) terms of office and

employment or other engagement of our controlling shareholder, if any, or such controlling shareholder's relative; (d) approval of transactions with the company's Chief Executive Officer with respect to his or her compensation, whether in accordance with the approved compensation policy of the company or not, or transactions with officers of the company not in accordance with the approved compensation policy; (e) approval of the compensation policy of the company for office holders; and (f) certain private placements involving the issuance of 20% or more of our total voting rights, or private placements as a result of which a person will become a controlling shareholder of the company. In addition, under the Companies Law, a merger requires approval of the shareholders of each of the merging companies; and

- as permitted by the Israeli Companies Law, our board of directors selects director nominees. Directors are not selected, or recommended for board of director selection, by independent directors constituting a majority of the board's independent directors or by a nominations committee comprised solely of independent directors as required by the Nasdaq Listing Rules.

Otherwise, we intend to comply with the rules generally applicable to U.S. domestic companies listed on the Nasdaq Global Market. However, we may in the future decide to use the foreign private issuer exemption with respect to some or all of the other Nasdaq corporate governance rules.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, our ordinary shares have been traded only on the TASE and have not been listed in the United States. Sales of substantial amounts of our ordinary shares following this offering, or the perception that these sales could occur, could adversely affect prevailing market prices of our ordinary shares and could impair our future ability to obtain capital, especially through an offering of equity securities. Assuming that the underwriters do not exercise their option to purchase additional ordinary shares in this offering and assuming no exercise of options outstanding following this offering we will have an aggregate of ordinary shares outstanding upon the closing of this offering. Of these shares, all the ordinary shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless purchased by "affiliates" (as that term is defined under Rule 144 of the Securities Act), who may sell only the volume of shares described below and whose sales would be subject to additional restrictions described below. In addition, all of our ordinary shares outstanding before this offering will be freely tradable without restriction or further registration under the Securities Act other than shares held by our affiliates and those of our shareholders who have signed lock-up agreements. Under Rule 144 of the Securities Act, an "affiliate" of a company is a person that directly or indirectly controls, is controlled by or is under common control with that company. Affiliates may sell only the volume of shares described below and their sales are subject to additional restrictions described below.

Eligibility of Restricted Shares for Sale in the Public Market

As a result of contractual restrictions described below and the provisions of Rules 144 and 701, the ordinary shares sold in this offering and the restricted securities will be available for sale in the public market as follows:

- all the ordinary shares sold in this offering will be eligible for immediate sale upon the closing of this offering; and
- ordinary shares will be eligible for sale in the public market upon expiration of lock-up agreements 180 days after the date of this prospectus, subject in certain circumstances to the volume, manner of sale and other limitations under Rule 144 and Rule 701.

Lock-up Agreements

All of our directors, senior management and certain shareholders have signed lock-up agreements pursuant to which, subject to certain exceptions, such persons have agreed not to sell or otherwise dispose of ordinary shares or any securities convertible into or exchangeable for ordinary shares for a period of 180 days after the date of this prospectus without the prior written consent of the representative of the underwriters, who may, at any time upon requisite notice, release all or any portion of the ordinary shares from the restrictions in any such agreement.

Rule 144

Shares Held For Six Months

In general, under Rule 144 as currently in effect, and subject to the terms of any lock-up agreement, commencing 90 days following the closing of this offering, a person, including an affiliate, who has beneficially owned our ordinary shares for six months or more, including the holding period of any prior owner other than one of our affiliates (i.e., commencing when the shares were acquired from us or from an affiliate of us as restricted securities), is entitled to sell our ordinary shares, subject to the availability of current public information about us (which information will be deemed to be available as long as we continue to file required reports with the SEC). In the case of an affiliate shareholder, the right to sell is also subject to the fulfillment of certain additional conditions, including

manner of sale provisions, notice requirements, and a volume limitation that limits the number of shares that may be sold thereby, within any three-month period, to the greater of:

- 1% of the number of ordinary shares then outstanding; or
- the average weekly trading volume of our ordinary shares on the Nasdaq Global Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Rule 144 also provides that affiliates that sell our ordinary shares that are not restricted securities must nonetheless comply with the same restrictions applicable to restricted securities, other than the holding period requirement.

Shares Held by Non-Affiliates for One Year

Under Rule 144 as currently in effect, a person who is not considered to have been one of our affiliates at any time during the three months preceding a sale and who has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than one of our affiliates, is entitled to sell his, her or its shares under Rule 144 without complying with the provisions relating to the availability of current public information or with any other conditions under Rule 144. Therefore, unless subject to a lock-up agreement or otherwise restricted, such shares may be sold immediately upon the closing of this offering.

Rule 701

In general, under Rule 701 as currently in effect, each of our employees, consultants or advisors who purchases our ordinary shares from us in connection with a compensatory stock plan or other written agreement executed prior to the closing of this offering is eligible to resell such ordinary shares in reliance on Rule 144, but without compliance with some of the restrictions, as described below.

Rule 701 will apply to the options granted under our Share Incentive Plan prior to the closing of this offering, along with the shares acquired upon exercise of these options, including exercises following the closing of this offering. Securities issued in reliance on Rule 701 are restricted securities and may be sold beginning 90 days following the closing of this offering in reliance on Rule 144 by:

- persons other than affiliates, without restriction; and
- affiliates, subject to the manner-of-sale, current public information and filing requirements of Rule 144,

in each case, without compliance with the six-month holding period requirement of Rule 144.

Form S-8 Registration Statements

We intend to file one or more registration statements on Form S-8 under the Securities Act to register, in the aggregate, ordinary shares, issued or reserved for issuance under our Share Incentive Plan. The registration statement on Form S-8 will become effective automatically upon filing. Ordinary shares issued upon exercise of a stock option or other award and registered pursuant to the Form S-8 registration statement will, subject to vesting provisions and Rule 144 volume limitations applicable to our affiliates, be available for sale in the open market immediately unless they are subject to the 180-day lock-up or, if subject to the lock-up, immediately after the 180-day lock-up period expires.

MATERIAL TAX CONSIDERATIONS

The following description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of our ordinary shares. You should consult your own tax advisor concerning the tax consequences of your particular situation, as well as any tax consequences that may arise under the laws of any state, local, foreign or other taxing jurisdiction.

Israeli Tax Considerations and Government Programs

The following is a summary of the material Israeli tax laws applicable to us, and some Israeli Government programs benefiting us. This section also contains a discussion of some Israeli tax consequences to persons owning our ordinary shares. This summary does not discuss all the aspects of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. Examples of this kind of investor include traders in securities or persons that own, directly or indirectly, 10% or more of our outstanding voting capital, all of whom are subject to special tax regimes not covered in this discussion. Some parts of this discussion are based on new tax legislation which has not yet been subject to judicial or administrative interpretation. The discussion should not be construed as legal or professional tax advice and does not cover all possible tax considerations.

SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE ISRAELI OR OTHER TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR ORDINARY SHARES, INCLUDING, IN PARTICULAR, THE EFFECT OF ANY FOREIGN, STATE OR LOCAL TAXES.

General Corporate Tax Structure in Israel

Israeli resident companies are generally subject to corporate tax at the rate of 25% and 24% of a company's taxable income in 2016 and 2017, respectively which was reduced to 23% in 2018 and thereafter. However, the effective tax rate payable by a company that derives income from entitled for befits in accordance with the Industry Encouragement Law (as defined below) may be considerably less. Capital gains derived by an Israeli resident company are subject to tax at the prevailing corporate tax rate.

Under Israeli tax legislation, a corporation will be considered as an "Israeli resident company" if it meets one of the following: (i) it was incorporated in Israel; or (ii) the control and management of its business are exercised in Israel.

Law for the Encouragement of Industry (Taxes), 5729-1969

The Law for the Encouragement of Industry (Taxes), 5729-1969, generally referred to as the Industry Encouragement Law, provides several tax benefits for "Industrial Companies."

The Industry Encouragement Law defines an "Industrial Company" as a company resident in Israel and which was incorporated in Israel of which 90% or more of its income in any tax year, other than income from defense loans, is derived from an "Industrial Enterprise" owned by it and which is located in Israel. An "Industrial Enterprise" is defined as an enterprise whose principal activity in a given tax year is industrial production.

The following corporate tax benefits, among others, are available to Industrial Companies:

- amortization over an eight-year period of the cost of purchased know-how and patents and rights to use a patent and know-how which are used for the development or advancement of the Industrial Enterprise;

- under limited conditions, an election to file consolidated tax returns with related Israeli Industrial Companies; and
- expenses related to a public offering are deductible in equal amounts over three years.

We may qualify as an Industrial Company and be eligible for various tax benefits, as implied by the Law.

Tax Benefits and Grants for Research and Development

Israeli tax law allows, under certain conditions, a tax deduction for expenditures, including capital expenditures, for the year in which they are incurred. Expenditures are deemed related to scientific research and development projects, if:

- The expenditures are approved by the relevant Israeli government ministry, determined by the field of research;
- The research and development must be for the promotion of the company; and
- The research and development is carried out by or on behalf of the company seeking such tax deduction.

The amount of such deductible expenses is reduced by the sum of any funds received through government grants for the financing of such scientific research and development projects. No deduction under these research and development deduction rules is allowed if such deduction is related to an expense invested in an asset depreciable under the general depreciation rules of the Israeli Tax Ordinance, 1961. Expenditures not so approved are deductible in equal amounts over three years.

From time to time we may apply to the Israeli Innovation Authority for approval to allow a tax deduction for all research and development expenses during the year incurred. There can be no assurance that such application will be accepted.

Law for the Encouragement of Capital Investments, 5719-1959

The Law for the Encouragement of Capital Investments, 5719-1959, generally referred to as the Investment Law, provides certain incentives for capital investments in production facilities (or other eligible assets) by "Industrial Enterprises", including Benefited Enterprise, Preferred Enterprise or Technological Enterprise Preferred Enterprise or Special Preferred Technology Enterprise (as defined under the Investment Law).

New Tax Benefits under the 2017 Amendment.

The 2017 Amendment was enacted as part of the Economic Efficiency Law that was published on December 29, 2016, and is effective as of January 1, 2017, subject to the publication of regulations expected to be released before March 31, 2017. The 2017 Amendment provides new tax benefits for two types of "Technology Enterprises", as described below, and is in addition to the other existing tax beneficial programs under the Investment Law.

The 2017 Amendment provides that a technology company satisfying certain conditions will qualify as a "Preferred Technology Enterprise" and will thereby enjoy a reduced corporate tax rate of 12% on income that qualifies as "Preferred Technology Income", as defined in the Investment Law. The tax rate is further reduced to 7.5% for a Preferred Technology Enterprise located in development zone A. In addition, a Preferred Technology Enterprise will enjoy a reduced corporate tax rate of 12% on capital gain derived from the sale of certain "Benefitted Intangible Assets" (as defined in the Investment Law) to a related foreign company if the Benefitted Intangible Assets were acquired from a foreign company on or after January 1, 2017 for at least NIS 200 million, and the sale receives prior approval from the National Authority for Technological Innovation, or NATI.

The 2017 Amendment further provides that a technology company satisfying certain conditions will qualify as a "Special Preferred Technology Enterprise" and will thereby enjoy a reduced corporate tax rate of 6% on "Preferred Technology Income" regardless of the company's geographic location within Israel. In addition, a Special Preferred Technology Enterprise will enjoy a reduced corporate tax rate of 6% on capital gain derived from the sale of certain "Benefitted Intangible Assets" to a related foreign company if the Benefitted Intangible Assets were either developed by an Israeli company or acquired from a foreign company on or after January 1, 2017, and the sale received prior approval from NATI. A Special Preferred Technology Enterprise that acquires Benefitted Intangible Assets from a foreign company for more than NIS 500 million will be eligible for these benefits for at least ten years, subject to certain approvals as specified in the Investment Law.

Dividends distributed by a Preferred Technology Enterprise or a Special Preferred Technology Enterprise, paid out of Preferred Technology Income, are subject to withholding tax at source at the rate of 20%, and if distributed to a foreign company and other conditions are met, the withholding tax rate will be 4%.

The termination or substantial reduction of any of the benefits available under the Investment Law could materially increase our tax liabilities once we are profitable.

Taxation of Our Shareholders

Capital Gains

Capital gain tax is imposed on the disposition of capital assets by an Israeli resident, and on the disposition of such assets by a non-Israeli resident if those assets are either (i) located in Israel; (ii) are shares or a right to a share in an Israeli resident corporation, or (iii) represent, directly or indirectly, rights to assets located in Israel. The Israeli Tax Ordinance distinguishes between "Real Gain" and the "Inflationary Surplus." Real Gain is the excess of the total capital gain over Inflationary Surplus computed generally on the basis of the increase in the Israeli consumer price index between the date of purchase and the date of disposition. Inflationary Surplus is not currently subject to tax in Israel.

Real Gain accrued by individuals on the sale of our ordinary shares will be taxed at the rate of 25%. However, if the individual shareholder is a "Controlling Shareholder" (i.e., a person who holds, directly or indirectly, alone or together with another, 10% or more of one of the Israeli resident company's means of control) at the time of sale or at any time during the preceding 12-month period, such gain will be taxed at the rate of 30%. Real Gain derived by corporations will be generally subject to the corporate tax rate of 23%.

Individual and corporate shareholder dealing in securities in Israel are taxed at the tax rates applicable to business income—23% for corporations, and a marginal tax rate of up to 50% for individuals, including an excess tax.

Notwithstanding the foregoing, capital gain derived from the sale of our ordinary shares by a non-Israeli shareholder may be exempt under the Israeli Tax Ordinance from Israeli capital gain tax provided that the seller does not have a permanent establishment in Israel to which the derived capital gain is attributed. However, non-Israeli corporations will not be entitled to the foregoing exemption if more than 25% of its means of control are held, directly and indirectly, by Israeli residents, and Israeli residents are entitled to 25% or more of the revenues or profits of the corporation, directly or indirectly. In addition, such exemption would not be available to a person whose gains from selling or otherwise disposing of the securities are deemed to be business income.

In addition, the sale of shares may be exempt from Israeli capital gain tax under the provisions of an applicable tax treaty. For example, the U.S.-Israel Double Tax Treaty exempts U.S. residents from Israeli capital gain tax in connection with such sale, provided (i) the U.S. resident owned, directly or indirectly, less than 10% of an Israeli resident company's voting power at any time within the 12-month

period preceding such sale; (ii) the seller, being an individual, is present in Israel for a period or periods of less than 183 days during the taxable year; and (iii) the capital gain from the sale was not derived through a permanent establishment of the U.S. resident in Israel.

In some instances where our shareholders may be liable for Israeli tax on the sale of their ordinary shares, the payment of the consideration may be subject to the withholding of Israeli tax at source at a rate of 25% if the seller is an individual and at the corporate tax rate (23%) if the seller is a corporation. Shareholders may be required to demonstrate that they are exempt from tax on their capital gains in order to avoid withholding at source at the time of sale.

At the sale of securities traded on a stock exchange a detailed return, including a computation of the tax due, must be filed and an advanced payment must be paid on January 31 and June 30 of every tax year in respect of sales of securities made within the previous six months. However, if all tax due was withheld at source according to applicable provisions of the Israeli Tax Ordinance and regulations promulgated thereunder, the aforementioned return need not be filed and no advance payment must be paid. Capital gain is also reportable on the annual income tax return.

Dividends

We have never paid cash dividends. A distribution of a dividend by our company from income attributed to a Benefited Enterprise will generally be subject to withholding tax in Israel at a rate of 15% unless a reduced tax rate is provided under an applicable tax treaty. A distribution of a dividend by our company from income attributed to a Preferred Enterprise or Preferred Technology Technological Enterprise will generally be subject to withholding tax in Israel at the following tax rates: Israeli resident individuals—up to 20% in Zone A; Israeli resident companies—0% ; Non-Israeli residents—20% (4% in respect of Preferred Technology Enterprise if certain conditions are met), subject to a reduced rate under the provisions of any applicable double tax treaty. A distribution of dividends from income, which is not attributed to a Preferred Enterprise or Preferred Technology Enterprise to an Israeli resident individual, will generally be subject to withholding tax at a rate of 25%, or 30% if the dividend recipient is a "Controlling Shareholder" (as defined above) at the time of distribution or at any time during the preceding 12-month period. If the recipient of the dividend is an Israeli resident corporation, such dividend will not be subject to Israeli tax provided the income from which such dividend is distributed was derived or accrued within Israel. The Israeli Tax Ordinance provides that a non-Israeli resident (either individual or corporation) is generally subject to Israeli withholding tax on the receipt of dividends at the rate of 25% (30% if the dividends recipient is a "Controlling Shareholder" (as defined above), at the time of distribution or at any time during the preceding 12-month period); those rates may be subject to a reduced rate under the provisions of an applicable double tax treaty. Under the U.S.-Israel Double Tax Treaty, the following withholding rates will apply in respect of dividends distributed by an Israeli resident company to a U.S. resident: (i) if the U.S. resident is a corporation which holds during that portion of the taxable year which precedes the date of payment of the dividend and during the whole of its prior taxable year (if any), at least 10% of the outstanding shares of the voting share capital of the Israeli resident paying corporation and not more than 25% of the gross income of the Israeli resident paying corporation for such prior taxable year (if any) consists of certain type of interest or dividends—the rate is 12.5%, (ii) if both the conditions mentioned in clause (i) above are met and the dividend is paid from an Israeli resident company's income which was entitled to a reduced tax rate applicable to an Approved Enterprise—the rate is 15% and (iii) in all other cases, the rate is 25%. The aforementioned rates under the Israel U.S. Double Tax Treaty will not apply if the dividend income was derived through a permanent establishment of the U.S. resident in Israel.

A non-Israeli resident who receives dividends from which tax was withheld is generally exempt from the obligation to file tax returns in Israel with respect to such income, provided that (i) such income was not generated from a business conducted in Israel by the taxpayer, and (ii) the taxpayer has no other taxable sources of income in Israel with respect to which a tax return is required to be filed.

Dividends are generally subject to Israeli withholding tax at a rate of 25% so long as the shares are registered with a nominee company (whether or not the recipient is a "Controlling Shareholder" (as defined above), unless relief is provided in a treaty between Israel and the shareholder's country of residence and provided that a certificate from the Israel Tax Authority allowing for a reduced withholding tax rate is obtained in advance.

Excess Tax

Individuals who are subject to tax in Israel are also subject to an additional tax at a rate of 3% on annual income exceeding NIS 641,880 for 2018, linked to the annual change in the Israeli consumer price index, including, but not limited to income derived from, dividends, interest and capital gains.

Foreign Exchange Regulations

Non-residents of Israel who hold our ordinary shares are able to receive any dividends, and any amounts payable upon the dissolution, liquidation and winding up of our affairs, repayable in non-Israeli currency at the rate of exchange prevailing at the time of conversion. However, Israeli income tax is generally required to have been paid or withheld on these amounts. In addition, the statutory framework for the potential imposition of currency exchange control has not been eliminated, and may be restored at any time by administrative action.

Estate and Gift Tax

Israeli law presently does not impose estate or gift taxes.

Certain U.S. Federal Income Tax Consequences

The following is a summary of the U.S. federal income tax considerations generally applicable to a U.S. Holder (as defined below) of the acquisition, ownership, and disposition of our ordinary shares. This summary does not purport to address all U.S. federal income tax matters that may be relevant to a particular U.S. Holder of our ordinary shares, nor is it a complete analysis of all potential U.S. federal income tax consequences. This summary does not address any tax consequences arising under any state, local or non-U.S. tax laws or U.S. federal estate or gift tax laws. This summary is based on the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury regulations thereunder, and administrative and judicial interpretations thereof, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect. This summary applies only to a U.S. Holder that acquires our ordinary shares in this offering and holds the ordinary shares as capital assets for U.S. federal income tax purposes (generally, property held for investment). This summary does not address all U.S. federal income tax considerations that may be relevant to shareholders that are subject to special tax rules, including, without limitation, expatriates and certain former citizens of the United States, partnerships and other pass-through entities, financial institutions, insurance companies, brokers, dealers or traders in securities, commodities or currencies, tax-exempt organizations, tax qualified retirement plans and individual retirement accounts, regulated investment companies, real estate investment trusts, persons subject to the alternative minimum tax, persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar, persons holding our ordinary shares as part of a hedge, straddle or other risk reduction strategy or as part of a hedging or conversion transaction or other integrated investment, persons that own or have owned (directly, indirectly, or by attribution) 10% or more of the total combined voting power or value of the

outstanding shares of Brainsway, and persons who acquired our ordinary shares through stock option or shares purchase plan programs or in other compensatory arrangements.

If a partnership (or other entity taxed as a partnership for U.S. federal income tax purposes) holds our ordinary shares, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Partnerships and partners in such a partnership are urged to consult their tax advisers regarding the tax consequences of acquiring, owning, and disposing of our ordinary shares.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of our ordinary shares acquired in this offering that is: (i) a citizen or an individual who is a resident of the United States as determined for U.S. federal income tax purposes; (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any State or political subdivision thereof or the District of Columbia; (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons has the authority to control all of the substantial decisions of the trust; or (2) that has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

This summary is of a general nature only and is not intended to be tax advice to any prospective investor, and no representation with respect to the tax consequences to any particular investor is made. Prospective investors are urged to consult their tax advisers with respect to the U.S. federal, state, local and non-U.S. income and other tax considerations relevant to them, having regard to their particular circumstances.

Distributions

Subject to the discussion under "— Passive Foreign Investment Company Considerations" below, the gross amount of a distribution paid to a U.S. Holder with respect to our ordinary shares (including amounts withheld to pay Israeli withholding taxes) will be included in such holder's gross income as dividend income to the extent that the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). To the extent that the amount of a distribution exceeds our current and accumulated earnings and profits, it will be treated first as a tax-free return of a U.S. Holder's tax basis in our ordinary shares, and to the extent the amount of the distribution exceeds such U.S. Holder's tax basis, the excess will be taxed as capital gain. Because we do not expect to calculate our earnings and profits in accordance with U.S. federal income tax principles, U.S. Holders should expect that a distribution generally will be treated as a dividend for U.S. federal income tax purposes.

Dividends received by individuals and other non-corporate U.S. Holders of our ordinary shares generally will be subject to tax at preferential rates applicable to long-term capital gains, provided that such holders meet certain holding period and other requirements and that Brainsway is not treated as a PFIC (as defined below) for the taxable year in which the dividend is paid or for the preceding taxable year. Dividends on our ordinary shares generally will not be eligible for the dividends-received deduction allowed to corporations. U.S. Holders are urged to consult their tax advisers regarding the application of the relevant rules to their particular circumstances.

Dividends paid on our ordinary shares generally will constitute foreign-source income classified as "passive category" income for foreign tax credit limitation purposes. A U.S. Holder may be entitled to deduct or credit any Israeli withholding taxes on dividends in determining its U.S. income tax liability, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of such U.S. Holder's foreign taxes for a particular taxable year). The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisers regarding the availability of the foreign tax credit under their particular circumstances.

Receipt of Foreign Currency

The U.S. dollar value of any distribution on our ordinary shares made in NIS generally will be calculated by reference to the exchange rate between U.S. dollars and NIS in effect on the date of actual or constructive receipt of such distribution by the U.S. Holder, regardless of whether the NIS so received are in fact converted into U.S. dollars. If the NIS so received are converted into U.S. dollars on the date of receipt, then a U.S. Holder generally will not recognize foreign currency gain or loss on such conversion. If the NIS so received are not converted into U.S. dollars on the date of receipt, then a U.S. Holder generally will have a tax basis in the NIS equal to the U.S. dollar value of such NIS on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the NIS generally will be treated as ordinary income or loss to a U.S. Holder and generally will be U.S.-source income or loss for U.S. foreign tax credit purposes. U.S. Holders are urged to consult their tax advisers regarding the U.S. federal income tax consequences of receiving distributions on our ordinary shares in NIS.

Sale or Other Disposition of Ordinary Shares

Subject to the discussion under "— Passive Foreign Investment Company Considerations" below, a U.S. Holder will recognize taxable gain or loss upon the sale, exchange, or other taxable disposition of our ordinary shares equal to the difference, if any, between the amount realized for the ordinary shares and the U.S. Holder's tax basis in such ordinary shares. The gain or loss will be capital gain or loss. Non-corporate U.S. Holders, including individual U.S. Holders that have held the ordinary shares for more than one year, currently are eligible for reduced tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss recognized by a U.S. Holder generally will be treated as U.S.-source gain or loss for foreign tax credit limitation purposes.

Passive Foreign Investment Company Considerations

Certain adverse tax consequences could apply to a U.S. Holder if we are treated as a "passive foreign investment company" (a "PFIC") for any taxable year during which the U.S. Holder holds our ordinary shares. In general, a non-U.S. corporation is a PFIC for any taxable year in which (i) 75% or more of its gross income consists of passive income (the "income test") or (ii) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income (the "asset test"). Generally, "passive income" includes interest, dividends, rents, royalties and certain gains, and cash (including cash raised in this offering) is a passive asset for PFIC purposes. For purposes of the asset test and income test, a non-U.S. corporation that directly or indirectly owns at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation.

We do not believe that we are currently a PFIC, and we do not anticipate becoming a PFIC in the foreseeable future. Notwithstanding the foregoing, the determination of whether we are a PFIC depends on the particular facts and circumstances (such as the valuation of our assets, including goodwill and other intangible assets) and may also be affected by the application of the PFIC rules, which are subject to differing interpretations. The fair market value of our assets is expected to depend, in part, upon (i) the market price of our ordinary shares, which is likely to fluctuate, and (ii) the composition of our income and assets, which will be affected by how, and how quickly, we spend any cash that is raised in any financing transaction, including this offering. Moreover, our PFIC status is determined on an annual basis after the end of each taxable year. In light of the foregoing, no assurance can be provided that we are not currently a PFIC or that we will not become a PFIC in any future taxable year.

In general, if we were a PFIC for any taxable year during which a U.S. Holder held our ordinary shares, gain recognized upon a disposition (including, under certain circumstances, a pledge) of

ordinary shares by the U.S. Holder would be allocated ratably over the U.S. Holder's holding period for such ordinary shares. The amounts allocated to the taxable year of disposition and to taxable years prior to the first taxable year in which we were a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest tax rate in effect for that taxable year for individuals or corporations, as appropriate, and an interest charge would be imposed on the resulting tax liability for each such year. Further, to the extent that any distribution received by a U.S. Holder on ordinary shares exceeded 125% of the average of the annual distributions received on such ordinary shares during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner.

Alternatively, if we were a PFIC and if our ordinary shares were "regularly traded" on a "qualified exchange," a U.S. Holder might be able to make a mark-to-market election with respect to our ordinary shares that would result in tax treatment different from the general tax treatment for PFICs described above. Our ordinary shares would be treated as "regularly traded" in any calendar year in which more than a de minimis quantity of the ordinary shares were traded on a qualified exchange on at least 15 days during each calendar quarter. The Nasdaq Global Market, where our ordinary shares are expected to be listed, is a qualified exchange for this purpose. If a U.S. Holder makes the mark-to-market election, in each year that we are a PFIC the U.S. Holder generally will recognize as ordinary income any excess of the fair market value of our ordinary shares at the end of the taxable year over their adjusted tax basis, and will recognize an ordinary loss in respect of any excess of the adjusted tax basis of the ordinary shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If a U.S. Holder makes the election, the U.S. Holder's tax basis in the ordinary shares will be adjusted to reflect these income or loss amounts. In addition, if a U.S. Holder makes the mark-to-market election, any gain that the U.S. Holder recognizes on the sale or other disposition of ordinary shares in a year in which we are a PFIC will be treated as ordinary income and any loss will be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). U.S. Holders should consult their tax advisers regarding the availability and advisability of making a mark-to-market election in their particular circumstances.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections, which, if available, would result in a further alternative tax treatment.

If we were a PFIC for any year during which a U.S. Holder owned our ordinary shares, we generally would continue to be treated as a PFIC with respect to such U.S. Holder's ordinary shares unless (i) we ceased to be a PFIC and (ii) the U.S. Holder had made a "deemed sale" election under the PFIC rules to recognize gain (but not loss) under the PFIC rules described above, without the receipt of corresponding cash.

If we were a PFIC or, with respect to a particular U.S. Holder, we were treated as a PFIC for the taxable year in which we pay a dividend or for the prior taxable year, the preferential rates discussed above with respect to dividends paid to certain non-corporate U.S. Holders would not apply. In addition, if we were a PFIC for any taxable year during which a U.S. Holder owns ordinary shares, the U.S. Holder would be required to file annual reports with the Internal Revenue Service, subject to certain exceptions.

U.S. Holders are urged to consult their tax advisers regarding the potential application of the PFIC rules to an investment in our ordinary shares.

Additional Tax on Net Investment Income

Certain U.S. Holders that are individuals, estates or trusts are subject to a 3.8% tax on all or a portion of their "net investment income," which may include all or a portion of their dividend income and net gains from the disposition of our ordinary shares. Each U.S. Holder that is an individual, estate

or trust is urged to consult its tax advisers regarding the applicability of this tax to its income and gains in respect of our ordinary shares.

Foreign Financial Asset Reporting

Citizens or individual residents of the United States holding "specified foreign financial assets" (which generally include shares and other securities issued by a foreign person unless held in an account maintained by a financial institution) that exceed certain U.S. dollar thresholds are required to report information relating to such assets, which could include our ordinary shares, by filing a completed Internal Revenue Service Form 8938 (Statement of Specified Foreign Financial Assets) with their tax returns. Significant penalties may apply for the failure to satisfy this reporting obligation. U.S. Holders are urged to consult their tax advisers regarding the foregoing reporting obligation with regard to their ownership of our ordinary shares.

Information Reporting and Backup Withholding

Distributions with respect to our ordinary shares and proceeds from the sale, exchange, or redemption of our ordinary shares may be subject to information reporting to the Internal Revenue Service and U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes other required certifications, or who is otherwise exempt from backup withholding and properly establishes such exempt status. Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder's U.S. federal income tax liability, and a U.S. Holder generally may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

UNDERWRITING

Subject to the terms and conditions set forth in an underwriting agreement, dated , , between us and Cantor Fitzgerald & Co., 499 Park Avenue, New York, New York 10022, as the representative of the underwriters named below (the "Representative") and the book-running manager of this offering, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the ordinary shares shown opposite its name below:

Underwriter	Number of Ordinary Shares
Cantor Fitzgerald & Co.	
Total	

The underwriting agreement provides that the obligations of the several underwriters are subject to certain conditions precedent such as the receipt by the underwriters of officers' certificates and legal opinions and approval of certain legal matters by their counsel. The underwriting agreement provides that the underwriters will purchase all of the ordinary shares if any of them are purchased. We have agreed to indemnify the underwriters and certain of their controlling persons against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make in respect of those liabilities.

Option to Purchase Additional Ordinary Shares

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase, from time to time, in whole or in part, up to an aggregate of ordinary shares from us at the initial public offering price set forth on the cover page of this prospectus, less underwriting discounts and commissions. If the underwriters exercise this option, each underwriter will be obligated, subject to specified conditions, to purchase a number of additional ordinary shares proportionate to that underwriter's initial purchase commitment as indicated in the table above. This option may be exercised only if the underwriters sell more ordinary shares than the total number set forth on the cover page of this prospectus.

Commission and Expenses

The underwriters have advised us that they propose to offer the ordinary shares to the public at the initial public offering price set forth on the cover page of this prospectus and to certain dealers, which may include the underwriters, at that price less a concession not in excess of $ per ordinary share. The underwriters may allow, and certain dealers may reallow, a discount from the concession not in excess of $ per ordinary share to certain brokers and dealers. After the offering, the Representative may change the initial public offering price and other selling terms.

The following table shows the initial public offering price, the underwriting discounts and commissions that we are to pay the underwriters and the proceeds, before expenses, to us in connection

with this offering. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional ordinary shares.

	Per Ordinary Share		Total	
	Without Option to Purchase Additional Ordinary Shares	With Option to Purchase Additional Ordinary Shares	Without Option to Purchase Additional Ordinary Shares	With Option to Purchase Additional Ordinary Shares
Initial public offering price	$	$	$	$
Underwriting discounts and commissions paid by us	$	$	$	$
Proceeds to us, before expenses	$	$	$	$

We estimate expenses payable by us in connection with this offering, other than the underwriting discounts and commissions referred to above, will be approximately $ million. We also have agreed to reimburse the underwriters for up to $ of certain of their counsel's fees and expenses, which reimbursed fee is deemed underwriting compensation for this offering by FINRA.

Determination of Offering Price

Prior to this offering, there has been no public market for our ordinary shares in the United States. The initial public offering price will be determined by negotiations between us and the Representative. Among the factors to be considered in determining the initial public offering price will be the trading price of our ordinary shares on the TASE, our future prospects and those of our industry in general, our sales, earnings and certain other financial and operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities, and certain financial and operating information of companies engaged in activities similar to ours.

Listing

We intend to apply to have our ordinary shares listed on the Nasdaq Global Market under the trading symbol "BWAY".

No Sales of Similar Securities

We, our senior management and directors and certain shareholders have agreed, subject to specified exceptions, not to directly or indirectly, for a period of 180 days after the date of the underwriting agreement:

- sell, offer, contract or grant any option to sell (including any short sale), pledge, transfer, establish an open "put equivalent position" within the meaning of Rule 16a-l(h) under the Securities Exchange Act of 1934, as amended,
- otherwise dispose of any ordinary shares, options or warrants to acquire ordinary shares, or securities exchangeable or exercisable for or convertible into ordinary shares currently or hereafter owned either of record or beneficially,
- enter into any swap, hedge or other agreement or transaction that transfers, in whole or in part, the economic consequence of ownership of ordinary shares, or securities exchangeable or exercisable for or convertible into ordinary shares, or
- publicly announce an intention to do any of the foregoing for a period of 180 days after the date of this prospectus without the prior written consent of Cantor Fitzgerald & Co.

In addition, we and each such person agrees that, without the prior written consent of Cantor Fitzgerald & Co., we or such other person will not, during the restricted period, make any demand for,

or exercise any right with respect to, the registration of any ordinary shares or any security convertible into or exercisable or exchangeable for ordinary shares.

The restrictions above will not apply in certain circumstances, including:

- transfers by gift, will or operation of law;
- transfers to certain related entities;
- the exercise or conversion of options or warrants;
- the establishment of 10b5-1 trading plans, provided no sales can occur during the 180-day lock-up period;
- the transfer of ordinary shares acquired on the open market following this offering;
- the transfer of ordinary shares to the Company to satisfy tax withholding obligations in connection with the vesting or exercise of equity awards; and
- transfers pursuant to a bona fide third-party tender offer for all outstanding shares of the Company, merger, consolidation or other similar transaction made to all holders of the Company's securities involving a change of control of the Company.

Cantor Fitzgerald & Co. may, in its sole discretion and at any time or from time to time before the termination of the 180-day lock-up period, release all or any portion of the securities subject to lock-up agreements. There are no existing agreements between the underwriters and any of our shareholders who will execute a lock-up agreement, providing consent to the sale of ordinary shares prior to the expiration of the lock-up period.

Market Making, Stabilization and Other Transactions

Cantor Fitzgerald & Co. may make a market in the ordinary shares as permitted by applicable laws and regulations. However, Cantor Fitzgerald & Co. is not obligated to do so, and Cantor Fitzgerald & Co. may discontinue any market-making activities at any time without notice in its sole discretion. Accordingly, no assurance can be given as to the liquidity of the trading market for the ordinary shares, that you will be able to sell any of the ordinary shares held by you at a particular time or that the prices that you receive when you sell will be favorable.

The underwriters have advised us that, pursuant to Regulation M under the Securities Exchange Act of 1934, as amended, certain persons participating in the offering may engage in short sale transactions, stabilizing transactions, syndicate covering transactions or the imposition of penalty bids in connection with this offering. These activities may have the effect of stabilizing or maintaining the market price of the ordinary shares at a level above that which might otherwise prevail in the open market. Establishing short sales positions may involve either "covered" short sales or "naked" short sales.

"Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares of our ordinary shares in this offering. The underwriters may close out any covered short position by either exercising their option to purchase additional ordinary shares or purchasing ordinary shares in the open market. In determining the source of ordinary shares to close out the covered short position, the underwriters will consider, among other things, the price of ordinary shares available for purchase in the open market as compared to the price at which they may purchase ordinary shares through the option to purchase additional ordinary shares.

"Naked" short sales are sales in excess of the option to purchase additional ordinary shares. The underwriters must close out any naked short position by purchasing ordinary shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be

downward pressure on the price of the ordinary shares in the open market after pricing that could adversely affect investors who purchase in this offering.

A stabilizing bid is a bid for the purchase of ordinary shares on behalf of the underwriters for the purpose of fixing or maintaining the price of the ordinary shares. A syndicate covering transaction is the bid for or the purchase of ordinary shares on behalf of the underwriters to reduce a short position incurred by the underwriters in connection with the offering. Similar to other purchase transactions, the underwriter's purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our ordinary shares or preventing or retarding a decline in the market price of our ordinary shares. As a result, the price of our ordinary shares may be higher than the price that might otherwise exist in the open market. A penalty bid is an arrangement permitting the underwriters to reclaim the selling concession otherwise accruing to a syndicate member in connection with the offering if the ordinary shares originally sold by such syndicate member are purchased in a syndicate covering transaction and therefore have not been effectively placed by such syndicate member.

Neither we, nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our ordinary shares. The underwriters are not obligated to engage in these activities and, if commenced, any of the activities may be discontinued at any time.

Passive Market Making

The underwriters may also engage in passive market making transactions in our ordinary shares on The Nasdaq Global Market in accordance with Rule 103 of Regulation M during a period before the commencement of offers or sales of our ordinary shares in this offering and extending through the completion of 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, that bid must then be lowered when specified purchase limits are exceeded. Passive market making may cause the price of our ordinary shares to be higher than the price that otherwise would exist in the open market in the absence of those transactions. The underwriters are not required to engage in passive market making and, if commenced, may end passive market making activities at any time.

Electronic Distribution

A prospectus in electronic format may be made available by e-mail (or on the web sites) or through online services maintained by one or more of the underwriters or their affiliates. The underwriters may agree with us to allocate a specific number of ordinary shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations. Other than the prospectus in electronic format, the information on the underwriters' web sites and any information contained in any other web site maintained by any of the underwriters is not part of this prospectus, has not been approved and/or endorsed by us or the underwriters and should not be relied upon by investors.

Other Activities and Relationships

The underwriters and certain of their respective affiliates are full service financial institutions engaged in a wide range of activities for their own accounts and the accounts of customers, which may include corporate finance, mergers and acquisitions, merchant banking, equity and fixed income sales, trading and research, derivatives, foreign exchange, futures, asset management, custody, clearance and securities lending.. The underwriters and certain of their affiliates have, from time to time, performed, and may in the future perform, various investment banking and financial advisory services for us and our affiliates, for which they received or will receive customary fees and expenses.

In addition, in the ordinary course of their business, the underwriters and certain of their affiliates may, directly or indirectly, hold long or short positions, trade and otherwise conduct such activities in or with respect to debt or equity securities and/or bank debt of, and/or derivative products. Such investment and securities activities may involve our securities and instruments. The underwriters and their respective affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

Stamp Taxes

If you purchase ordinary shares offered in this prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus.

Notice to Investors

Canada

This prospectus constitutes an "exempt offering document" as defined in and for the purposes of applicable Canadian securities laws. No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the ordinary shares. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this prospectus or on the merits of the ordinary shares and any representation to the contrary is an offence.

Canadian investors are advised that this prospectus has been prepared in reliance on section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"). Pursuant to section 3A.3 of NI 33-105, this prospectus is exempt from the requirement that the Company and the underwriter(s) provide investors with certain conflicts of interest disclosure pertaining to "connected issuer" and/or "related issuer" relationships that may exist between the Company and the underwriter(s) as would otherwise be required pursuant to subsection 2.1(1) of NI 33-105.

Resale Restrictions

The offer and sale of the ordinary shares in Canada is being made on a private placement basis only and is exempt from the requirement that the Company prepares and files a prospectus under applicable Canadian securities laws. Any resale of the ordinary shares acquired by a Canadian investor in this offering must be made in accordance with applicable Canadian securities laws, which may vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with Canadian prospectus requirements, pursuant to a statutory exemption from the prospectus requirements, in a transaction exempt from the prospectus requirements or otherwise under a discretionary exemption from the prospectus requirements granted by the applicable local Canadian securities regulatory authority. These resale restrictions may under certain circumstances apply to resales of the ordinary shares outside of Canada.

Representations of Purchasers

Each Canadian investor who purchases the ordinary shares will be deemed to have represented to the Company and the underwriter(s) that the investor (i) is purchasing the ordinary shares as principal, or is deemed to be purchasing as principal in accordance with applicable Canadian securities laws, for investment only and not with a view to resale or redistribution; (ii) is an "accredited investor" as such term is defined in section 1.1 of National Instrument 45-106 *Prospectus Exemptions* ("NI 45-106") or, in Ontario, as such term is defined in section 73.3(1) of the *Securities Act* (Ontario); and (iii) is a

"permitted client" as such term is defined in section 1.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

Taxation and Eligibility for Investment

Any discussion of taxation and related matters contained in this prospectus does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a Canadian investor when deciding to purchase the ordinary shares and, in particular, does not address any Canadian tax considerations. No representation or warranty is hereby made as to the tax consequences to a resident, or deemed resident, of Canada of an investment in the ordinary shares or with respect to the eligibility of the ordinary shares for investment by such investor under relevant Canadian federal and provincial legislation and regulations.

Rights of Action for Damages or Rescission

Securities legislation in certain of the Canadian jurisdictions provides certain purchasers of securities pursuant to an offering memorandum (such as this prospectus), including where the distribution involves an "eligible foreign security" as such term is defined in Ontario Securities Commission Rule 45-501 *Ontario Prospectus and Registration Exemptions* and in Multilateral Instrument 45-107 *Listing Representation and Statutory Rights of Action Disclosure Exemptions*, as applicable, with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where the offering memorandum, or other offering document that constitutes an offering memorandum, and any amendment thereto, contains a "misrepresentation" as defined under applicable Canadian securities laws. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed under, and are subject to limitations and defences under, applicable Canadian securities legislation. In addition, these remedies are in addition to and without derogation from any other right or remedy available at law to the investor.

Language of Documents

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur Canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

Australia

This prospectus is not a disclosure document for the purposes of Australia's Corporations Act 2001 (Cth) of Australia, or Corporations Act, has not been lodged with the Australian Securities & Investments Commission and is only directed to the categories of exempt persons set out below. Accordingly, if you receive this prospectus in Australia:

You confirm and warrant that you are either:

- a "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act;
- a "sophisticated investor" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to the company which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made; or

- a "professional investor" within the meaning of section 708(11)(a) or (b) of the Corporations Act.

To the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor or professional investor under the Corporations Act any offer made to you under this prospectus is void and incapable of acceptance.

You warrant and agree that you will not offer any of the shares issued to you pursuant to this prospectus for resale in Australia within 12 months of those securities being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

European Economic Area

In relation to each Member State of the European Economic Area , no offer of any securities which are the subject of the offering contemplated by this prospectus has been or will be made to the public in that Member State other than any offer where a prospectus has been or will be published in relation to such securities that has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the relevant competent authority in that Member State in accordance with the Prospectus Directive, except that an offer of such securities may be made to the public in that Member State:

- to any legal entity which is a "qualified investor" as defined in the Prospectus Directive;

- to fewer than 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 of the underwriters for any such offer; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of securities shall require the Company or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

Hong Kong

No securities have been offered or sold, and no securities may be offered or sold, in Hong Kong, by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent; or to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32) of Hong Kong. No document, invitation or advertisement relating to the securities has been issued or 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 of Hong Kong

(except if permitted under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

This prospectus has not been registered with the Registrar of Companies in Hong Kong. Accordingly, this prospectus may not be issued, circulated or distributed in Hong Kong, and the securities may not be offered for subscription to members of the public in Hong Kong. Each person acquiring the securities will be required, and is deemed by the acquisition of the securities, to confirm that he is aware of the restriction on offers of the securities described in this prospectus and the relevant offering documents and that he is not acquiring, and has not been offered any securities in circumstances that contravene any such restrictions.

Japan

The offering has not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 of Japan, as amended), or FIEL, and the Initial Purchaser will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means, unless otherwise provided herein, any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This prospectus has not been and will not be lodged or registered with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or the invitation for subscription or purchase of the securities may not be issued, circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person as defined under Section 275(2), or any person pursuant to Section 275(1A) of the SFA, 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.

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

- a corporation (which is not an accredited investor as defined under 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

- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Offer Shares under Section 275 of the SFA except:

- to an institutional investor 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;

- where no consideration is given for the transfer; or
- where the transfer is by operation of law.

Switzerland

The securities may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or SIX, or on any other stock exchange or regulated trading facility in Switzerland. This prospectus 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 prospectus nor any other offering or marketing material relating to the securities or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this prospectus nor any other offering or marketing material relating to the offering, the Company or the securities have been or will be filed with or approved by any Swiss regulatory authority. In particular, this prospectus will not be filed with, and the offer of securities will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, or FINMA, and the offer of securities has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or CISA. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of securities.

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 document is being distributed only to, and is directed only at, and any offer of the shares is directed only at, investors listed in the first addendum, or the Addendum, to the Israeli 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 same and agree to it.

United Kingdom

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors (as defined in the Prospectus Directive) that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, referred to herein as the "Order", and/or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order and other persons to whom it may lawfully be communicated or caused to be communicated. Each such person is referred to herein as a "Relevant Person".

This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United

Kingdom. Any person in the United Kingdom that is not a Relevant Person should not act or rely on this document or any of its contents.

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA") may only be communicated or caused to be communicated in connection with the issue or sale of the securities in circumstances in which Section 21(1) of the FSMA does not apply. All applicable provisions of the FSMA must be complied with in respect of anything done by any person in relation to the securities in, from or otherwise involving the United Kingdom.

EXPENSES RELATED TO OFFERING

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the offer and sale of ordinary shares in this offering. All amounts listed below are estimates except the SEC registration fee, Nasdaq listing fee and the Financial Industry Regulatory Authority, Inc., or FINRA, filing fee.

Expense	Amount
SEC registration fee	$
FINRA filing fee	
Nasdaq Global Market listing fee	
Printing and engraving expenses	
Legal fees and expenses	
Transfer agent and registrar fees	
Accounting fees and expenses	
Miscellaneous	
Total	

LEGAL MATTERS

The validity of the ordinary shares being offered by this prospectus and other legal matters concerning this offering relating to Israeli law will be passed upon for us by Gross, Kleinhendler, Hodak, Halevy, Greenberg, Shenhav & Co., Tel-Aviv, Israel. Certain legal matters in connection with this offering relating to U.S. law will be passed upon for us by Torys LLP, New York, New York. Legal counsel to the underwriters are Agmon & Co., Rosenberg Hacohen & Co., Tel Aviv, Israel, with respect to Israeli law, and Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, with respect to U.S. law.

EXPERTS

The consolidated financial statements as of our Company as of December 31, 2017 and 2016 and for each of the two years in the period ended December 31, 2017 included appearing in this prospectus have been audited and included in reliance on the report of Kost Forer Gabbay & Kasierer, an independent registered public accounting firm and a member firm of Ernst & Young Global Limited, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of said such firm as experts in auditing and accounting and auditing. The offices of Kost Forer Gabbay & Kasierer are located at 144A Menachem Begin Road, Tel-Aviv, 6492102, Israel.

ENFORCEABILITY OF CIVIL LIABILITIES

We are incorporated under the laws of the State of Israel. Service of process upon us and upon our directors and officers and the Israeli experts named in this prospectus, substantially all of whom reside outside the United States, may be difficult to obtain within the United States. Furthermore, because substantially all of our assets and substantially all of our directors and senior management are located outside the United States, any judgment obtained in the United States against us or any of our directors and officers may not be collectible within the United States.

We have irrevocably appointed Brainsway USA, Inc. as our agent to receive service of process in any action against us in any U.S. federal or state court arising out of this offering or any purchase or sale of securities in connection with this offering. The address of our agent is 3 University Plaza Drive, Hackensack, New Jersey, 07601.

We have been informed by our legal counsel in Israel, Gross, Kleinhendler, Hodak, Halevy, Greenberg, Shenhav & Co., that it may be difficult to initiate an action with respect to U.S. securities law in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of U.S. securities laws reasoning that Israel is not the most appropriate forum to hear such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact by expert witnesses which can be a time-consuming and costly process. Certain matters of procedure may also be governed by Israeli law.

Subject to certain time limitations and legal procedures, Israeli courts may enforce a U.S. judgment in a civil matter which, subject to certain exceptions, is non-appealable, including judgments based upon the civil liability provisions of the Securities Act and the Exchange Act and including a monetary or compensatory judgment in a non-civil matter, provided that:

- the judgment was rendered by a court which was, according to the laws of the state of the court, competent to render the judgment;
- the obligation imposed by the judgment is enforceable according to the rules relating to the enforceability of judgments in Israel and the substance of the judgment is not contrary to public policy; and
- the judgment is executory in the state in which it was given.

Even if these conditions are met, an Israeli court will not declare a foreign civil judgment enforceable if:

- the judgment was given in a state whose laws do not provide for the enforcement of judgments of Israeli courts (subject to exceptional cases);
- the enforcement of the judgment is likely to prejudice the sovereignty or security of the State of Israel;
- the judgment was obtained by fraud;
- the opportunity given to the defendant to bring its arguments and evidence before the court was not reasonable in the opinion of the Israeli court;
- the judgment was rendered by a court not competent to render it according to the laws of private international law as they apply in Israel;
- the judgment is contradictory to another judgment that was given in the same matter between the same parties and that is still valid; or

- at the time the action was brought in the foreign court, a lawsuit in the same matter and between the same parties was pending before a court or tribunal in Israel.

If a foreign judgment is enforced by an Israeli court, it generally will be payable in Israeli currency, which can then be converted into non-Israeli currency and transferred out of Israel. The usual practice in an action before an Israeli court to recover an amount in a non-Israeli currency is for the Israeli court to issue a judgment for the equivalent amount in Israeli currency at the rate of exchange in force on the date of the judgment, but the judgment debtor may make payment in foreign currency. Pending collection, the amount of the judgment of an Israeli court stated in Israeli currency ordinarily will be linked to the Israeli consumer price index plus interest at the annual statutory rate set by Israeli regulations prevailing at the time. Judgment creditors must bear the risk of unfavorable exchange rates.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form F-1 under the Securities Act relating to this offering of our ordinary shares. This prospectus does not contain all of the information contained in the registration statement. The rules and regulations of the SEC allow us to omit certain information from this prospectus that is included in the registration statement. Statements made in this prospectus concerning the contents of any contract, agreement or other document are summaries of all material information about the documents summarized, but are not complete descriptions of all terms of these documents. If we filed any of these documents as an exhibit to the registration statement, you may read the document itself for a complete description of its terms.

You may read and copy the registration statement, including the related exhibits and schedules, and any document we file with the SEC without charge at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains an Internet site that contains reports and other information regarding issuers that file electronically with the SEC. Our filings with the SEC are also available to the public through this web site at http://www.sec.gov.

We are not currently subject to the informational requirements of the Exchange Act. As a result of this offering, we will become subject to the informational requirements of the Exchange Act applicable to foreign private issuers and will fulfill the obligations of these requirements by filing reports with the SEC. As a foreign private issuer, we will be exempt from the rules under the Exchange Act relating to the furnishing and content of proxy statements, and our officers, directors and principal shareholders will be exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we intend to file with the SEC, within 120 days after the end of our fiscal year, an annual report on Form 20-F containing financial statements which will be audited and reported on, with an opinion expressed, by an independent registered public accounting firm. We also intend to file with the SEC reports on Form 6-K containing unaudited financial information for the first three quarters of each fiscal year.

We maintain a corporate website at www.brainsway.com. Information contained on, or that can be accessed through, our website does not constitute a part of this prospectus. We have included our website address in this prospectus solely as an inactive textual reference.

BRAINSWAY LTD.
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BRAINSWAY LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands (except share and per share data)

	September 30,		December 31,
	2018	2017	2017
	Unaudited		Audited
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 9,502	$ 5,857	$ 14,509
Short-term deposits	1,118	25	50
Trade receivables, net	3,098	2,587	2,419
Other accounts receivable	981	798	909
	14,699	9,267	17,887
NON-CURRENT ASSETS:			
Restricted deposit	1,019	—	2,009
Long-term deposit	156	25	25
Property and equipment, net	7,386	7,027	7,109
	8,561	7,052	9,143
	$ 23,260	$ 16,319	$ 27,030
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables	$ 1,240	$ 943	$ 1,631
Other accounts payable	2,408	1,307	1,803
Deferred revenues	2,175	2,328	2,448
Loan from bank	375	—	—
Liability in respect of research and development grants	511	250	251
	6,709	4,828	6,133
NON-CURRENT LIABILITIES:			
Loan from bank	2,431	—	2,727
Deferred revenues and other liabilities	327	262	309
Liability in respect of research and development grants	4,712	4,437	5,028
Warrants	229	—	112
	7,699	4,699	8,176
EQUITY:			
Share capital	171	149	171
Share premium	67,193	57,510	65,951
Share-based payment	3,108	3,636	3,889
Adjustments arising from translating financial statements from functional currency to presentation currency	(2,188)	(2,188)	(2,188)
Accumulated deficit	(59,432)	(52,315)	(55,102)
	8,852	6,792	12,721
	$ 23,260	$ 16,319	$ 27,030

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

BRAINSWAY LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

U.S. dollars in thousands (except share and per share data)

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
Revenues	$ 11,625	$ 7,543	$ 4,295	$ 3,016	$ 11,145
Cost of revenues	2,484	1,684	926	681	2,595
Gross profit	9,141	5,859	3,369	2,335	8,550
Research and development expenses, net	4,334	3,836	1,353	1,336	5,343
Selling and marketing expenses	5,816	4,571	2,028	1,523	6,331
General and administrative expenses	2,353	1,988	929	742	3,487
Total operating expenses	12,503	10,395	4,310	3,601	15,161
Operating loss	3,362	4,536	941	1,266	6,611
Finance income	33	1,481	(36)	10	186
Finance expense	867	1,170	472	532	460
Loss before income taxes	4,196	4,225	1,449	1,788	6,885
Income taxes	134	42	28	42	169
Net loss and total comprehensive loss	$ 4,330	$ 4,267	$ 1,477	$ 1,830	$ 7,054
Basic and diluted net loss per share	$ (0.25)	$ (0.29)	$ (0.09)	$ (0.12)	$ (0.48)

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

BRAINSWAY LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands (except share and per share data)

	Share capital	Share premium	Reserve for share-based payment transactions	Adjustments arising from translating financial statements from functional currency to presentation currency	Accumulated deficit	Total equity
	Unaudited					
Balance at January 1, 2018	$ 171	$ 65,951	$ 3,889	$ (2,188)	$ (55,102)	$ 12,721
Net loss and total comprehensive loss	—	—	—	—	(4,330)	(4,330)
Forfeiture and expiration of share options	—	1,242	(1,346)	—	—	(104)
Cost of share-based payment	—	—	565	—	—	565
Balance at September 30, 2018	$ 171	$ 67,193	$ 3,108	$ (2,188)	$ (59,432)	$ 8,852

	Share capital	Share premium	Reserve for share-based payment transactions	Adjustments arising from translating financial statements from functional currency to presentation currency	Accumulated deficit	Total equity
	Unaudited					
Balance at January 1, 2017	$ 149	$ 57,502	$ 2,872	$ (2,188)	$ (48,048)	$ 10,287
Net loss and total comprehensive loss	—	—	—	—	(4,267)	(4,267)
Forfeiture and expiration of share options	—	8	(26)	—	—	(18)
Cost of share-based payment	—	—	790	—	—	790
Balance at September 30, 2017	$ 149	$ 57,510	$ 3,636	$ (2,188)	$ (52,315)	$ 6,792

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

BRAINSWAY LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

U.S. dollars in thousands (except share and per share data)

	Share capital	Share premium	Reserve for share-based payment transactions	Adjustments arising from translating financial statements from functional currency to presentation currency	Accumulated deficit	Total equity
	Unaudited					
Balance at July 1, 2018	$ 171	$ 65,951	$ 4,183	$ (2,188)	$ (57,955)	$ 10,171
Net loss and total comprehensive loss	—	—	—	—	(1,477)	(1,477)
Expiration of share options	—	1,233	(1,233)	—	—	—
Cost of share-based payment	—	—	158	—	—	158
Balance at September 30, 2018	$ 171	$ 67,193	$ 3,108	$ (2,188)	$ (59,432)	$ 8,852

	Share capital	Share premium	Reserve for share-based payment transactions	Adjustments arising from translating financial statements from functional currency to presentation currency	Accumulated deficit	Total equity
	Unaudited					
Balance at July 1, 2017	$ 149	$ 57,502	$ 3,361	$ (2,188)	$ (50,485)	$ 8,339
Net loss and total comprehensive loss	—	—	—	—	(1,830)	(1,830)
Forfeiture and expiration of share options	—	8	(14)	—	—	(6)
Cost of share-based payment	—	—	289	—	—	289
Balance at September 30, 2017	$ 149	$ 57,510	$ 3,636	$ (2,188)	$ (52,315)	$ 6,792

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

BRAINSWAY LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

U.S. dollars in thousands (except share and per share data)

	Share capital	Share premium	Reserve for share-based payment transactions	Adjustments arising from translating financial statements from functional currency to presentation currency	Accumulated deficit	Total equity
	Audited					
Balance at January 1, 2017	$ 149	$ 57,510	$ 2,872	$ (2,188)	$ (48,048)	$ 10,287
Net loss and total comprehensive loss	—	—	—	—	(7,054)	(7,054)
Issuance of shares, net(*)	22	8,423				8,445
Forfeiture and expiration of share options	—	26	(44)	—	—	(18)
Cost of share-based payment	—	—	1,061	—	—	1,061
Balance at December 31, 2017	$ 171	$ 65,951	$ 3,889	$ (2,188)	$ (55,102)	$ 12,721

(*) Net of issuance expenses of $ 133 thousand.

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

BRAINSWAY LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands (except share and per share data)

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
Cash flows from operating activities:					
Total comprehensive loss	$ (4,330)	$ (4,267)	$ (1,477)	$ (1,830)	$ (7,054)
Adjustments to reconcile net loss to net cash used in operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	981	555	407	207	1,072
Finance expenses (income), net	834	(311)	508	522	274
Cost of share-based payment	461	760	164	280	1,028
Income taxes	134	42	28	42	169
	2,410	1,046	1,107	1,051	2,543
Changes in asset and liability items:					
Increase in trade receivables	(638)	(151)	(248)	(31)	(21)
Decrease (increase) in other accounts receivable	(57)	237	32	250	113
Increase (decrease) in trade payables	(199)	40	(299)	81	310
Increase (decrease) in other accounts payable	637	(167)	596	(164)	163
Increase (decrease) in deferred revenues and other liabilities	(253)	356	4	207	523
	(510)	315	85	343	1,088
Cash paid and received during the period for:					
Interest	(157)	9	(49)	1	12
Taxes	(182)	(61)	(3)	(61)	(56)
	(339)	(52)	(52)	(60)	(44)
Net cash used in operating activities	(2,769)	(2,958)	(337)	(496)	(3,467)
Cash flows from investing activities:					
Purchase of property and equipment	(1,440)	(790)	(533)	(275)	(985)
Investment in restricted deposit	—	—	—	—	(2,000)
Sale of (investment in) short-term deposits, net	(50)	560	—	—	535
Investment in long-term deposits, net	(131)	(1)	(2)	(3)	(1)
Net cash used in investing activities	(1,621)	(231)	(535)	(278)	(2,451)

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

BRAINSWAY LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

U.S. dollars in thousands (except share and per share data)

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
Cash flows from financing activities:					
Receipt of loan from bank, net	—	—	—	—	2,702
Receipt of government grants	132	186	119	186	186
Repayment of liability in respect of research and development grants	(414)	(375)	(218)	(158)	(375)
Issuance of warrants	—	—	—	—	150
Proceeds from issuance of shares, net	—	—	—	—	8,445
Net cash provided by (used in) financing activities	(282)	(189)	(99)	28	11,108
Exchange rate differences on cash and cash equivalents	(335)	61	(18)	(35)	145
Increase (decrease) in cash and cash equivalents	(5,007)	(3,317)	(989)	(781)	5,335
Cash and cash equivalents at the beginning of the period	14,509	9,174	10,491	6,638	9,174
Cash and cash equivalents at the end of the period	$ 9,502	$ 5,857	$ 9,502	$ 5,857	$ 14,509
(a) *Significant non-cash transactions:*					
Purchase of property and equipment on credit	$ 312	$ 63	$ 312	$ —	$ 469

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

NOTE 1:—GENERAL

a. These financial statements have been prepared in a condensed format as of September 30, 2018 and for the nine and three months periods then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2017 and for the year then ended and accompanying notes ("annual consolidated financial statements").

b. The Group had negative cash flows from operating activities of approximately $ 3,467 and $ 2,769 for the year ended December 31, 2017 and for the nine months ended September 30, 2018, respectively. Furthermore, the Company had an operating loss of $ 6,611 and $ 3,362 for the year ended December 31, 2017 and for the nine months ended September 30, 2018, respectively. In August 2017, the Company entered into an agreement for the receipt of a bank credit facility ("the agreement") of up to $ 6,000. In October 2017, the Company withdrew $ 3,000 from the said credit facility (for further details regarding the credit terms, see Notes 13b and 13d of the annual consolidated financial statements). As of September 30, 2018, the Company meets the financial covenants set in the agreement. The Company's management and board of directors believe that the Company will have the required financial sources to finance its business activity according to its plans in the foreseeable future.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the interim consolidated financial statements:

The interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting".

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements, except as described below.

b. Revenue from contracts with customers:

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") has been adopted for the first time in these financial statements using the modified retrospective method. As a result of the first time adoption of IFRS 15 the cumulative impact to the Company's accumulated deficit as of January 1, 2018 is nil.

IFRS 15 introduces a five-step model that applies to revenue earned from contracts with customers.

The accounting policy applied from January 1, 2018 regarding revenue recognition according to IFRS 15 is as follows:

> Revenue from contracts with customers is recognized in profit or loss when the control over the asset or service is transferred to the customer. Revenue from sale of systems is recognized in profit or loss at a point in time when the ownership of the systems is passed to the buyer, normally when the systems are delivered to the buyer. Revenue is measured and recognized at the fair value of the consideration that is expected to be received based on the contract terms, less any trade discounts. Revenue is recognized in profit or loss to the extent that it is

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

probable that the economic benefits will flow to the Company and the revenue and costs, if relevant, can be measured reliably.

c. Financial instruments:

As detailed in Note 4a to the annual consolidated financial statements, IFRS 9, "Financial Instruments" ("IFRS 9") has been adopted for the first time in these financial statements. The Company chose to adopt the provisions of IFRS 9 retrospectively with certain reliefs and not to restate comparative figures. The first time adoption of IFRS 9 had no impact on accumulated deficit as of January 1, 2018.

1. Impairment of financial assets:

The Company reviews at the end of each reporting period the provision for loss of financial debt instruments which are not measured at fair value through profit or loss. The Company distinguishes between two types of provision for losses:

a. Debt instruments whose credit quality has not significantly deteriorated since their initial recognition date or whose credit risk is low—the provision for loss that will be recognized in respect of this debt instrument will take into account expected credit losses within 12 months from the reporting date; or

b. Debt instruments whose credit quality has significantly deteriorated since their initial recognition date or whose credit risk is not low—the provision for loss that will be recognized will take into account expected credit losses over the instrument's remaining term.

An impairment loss of debt instruments measured at amortized cost is carried to profit or loss against a provision whereas an impairment loss of debt instruments measured at fair value through other comprehensive income will be carried against a capital reserve and will not reduce the carrying amount of the financial asset in the statement of financial position.

The Company has financial assets bearing short-term credit such as trade receivables in respect of which it is required to adopt the relief prescribed in the model i.e., the Company will measure the provision for loss in an amount which is equivalent to the expected credit losses.

2. Derecognition of financial assets:

A financial asset is derecognized only when the following criteria are met:

a. The contractual rights to the cash flows from the financial asset expire; or

b. The Company has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. The Company has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

3. Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation is discharged, cancelled or expires. A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

4. Financial liabilities:

Financial liabilities within the scope of the Standard are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability, excluding financial liabilities measured at fair value through profit or loss whose transaction costs are carried to profit or loss.

On the date of initial recognition, the Company classified financial liabilities measured at fair value through profit or loss. Changes in their fair value which can be attributed to changes in the Company's credit risk profile are carried to other comprehensive income.

After initial recognition, the Company measures all financial liabilities at amortized cost, except for financial liabilities at fair value through profit or loss such as derivatives.

d. For disclosure of new standards in the period prior to their adoption, see Note 4c to the annual consolidated financial statements.

NOTE 3:—EVENTS DURING THE REPORTING PERIOD

a. For disclosure of events during the reporting period, see Note 23 to the annual consolidated financial statements.

U.S. dollars in thousands (except share and per share data)

NOTE 4:—ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE LOSS ITEMS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
Revenues reported in the financial statements for each group of similar products and services:					
Revenues from lease	$ 6,796	$ 4,745	$ 2,453	$ 1,722	$ 6,654
Revenues from sale	4,829	2,798	1,842	1,294	4,491
	$ 11,625	$ 7,543	$ 4,295	$ 3,016	$ 11,145
Percentage of revenue derived from North America	87%	92%	90%	92%	89%
Cost of revenues:					
Cost of lease	$ 1,297	$ 926	$ 434	$ 344	$ 1,483
Cost of sales	1,187	758	492	337	1,112
	$ 2,484	$ 1,684	$ 926	$ 681	$ 2,595

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Building a better working world

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Shareholders and Board of Directors of

BRAINSWAY LTD.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of the financial position of Brainsway Ltd. and its subsidiaries ("the Company") as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive loss, changes in equity and cash flows for each of the two years in the period ended December 31, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017, in conformity with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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

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

We have served as the Company's auditor since 2003.
Tel-Aviv, Israel
November 16, 2018

BRAINSWAY LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands (except share and per share data)

	Note	December 31, 2017	December 31, 2016
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	5	$ 14,509	$ 9,174
Short-term deposits	6	50	585
Trade receivables, net	7	2,419	2,492
Other accounts receivable	8	909	859
		17,887	13,110
NON-CURRENT ASSETS:			
Restricted deposit	13b, 17i	2,009	—
Long-term deposit		25	24
Property and equipment, net	9	7,109	6,830
		9,143	6,854
		$ 27,030	$ 19,964
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables	11	$ 1,631	$ 810
Other accounts payable	12	1,803	1,436
Deferred revenues	17d	2,448	1,861
Liability in respect of research and development grants	13c	251	288
		6,133	4,395
NON-CURRENT LIABILITIES:			
Loan from bank	13b	2,727	—
Deferred revenues and other liabilities	17g, 17i	309	374
Liability in respect of research and development grants	13c	5,028	4,908
Warrants	13b	112	—
		8,176	5,282
EQUITY:	18		
Share capital		171	149
Share premium		65,591	57,502
Share-based payment	19	3,889	2,872
Adjustments arising from translating financial statements from functional currency to presentation currency		(2,188)	(2,188)
Accumulated deficit		(55,102)	(48,048)
		12,721	10,287
		$ 27,030	$ 19,964

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

BRAINSWAY LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

U.S. dollars in thousands (except share and per share data)

	Note	Year ended December 31, 2017	2016
Revenues	20a	$ 11,145	$ 11,524
Cost of revenues	20b	2,595	2,427
Gross profit		8,550	9,097
Research and development expenses, net	20c	5,343	3,792
Selling and marketing expenses	20d	6,331	5,180
General and administrative expenses	20e	3,487	2,194
Total operating expenses		15,161	11,166
Operating loss		6,611	2,069
Finance income	20f	(186)	(186)
Finance expense	20f	460	514
Loss before income taxes		6,885	2,397
Income taxes	16a	169	—
Net loss and total comprehensive loss		$ 7,054	$ 2,397
Basic and diluted net loss per share	21	$ (0.48)	$ (0.17)

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

BRAINSWAY LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands (except share and per share data)

	Share capital	Share premium	Reserve for share-based payment transactions	Adjustments arising from translating financial statements from functional currency to presentation currency	Accumulated deficit	Total equity
Balance at January 1, 2016	$ 47	56,933	$ 3,654	$ (2,188)	$ (45,651)	$ 12,895
Net loss and total comprehensive loss	—	—	—	—	(2,397)	(2,397)
Forfeiture and expiration of share options	—	313	(2,081)	—	—	(1,768)
Exercise of share options	2	256	(79)	—	—	179
Cost of share-based payment	—	—	1,378	—	—	1,378
Balance at December 31, 2016	149	57,502	2,872	(2,188)	(48,048)	10,287
Net loss and total comprehensive loss	—	—	—	—	(7,054)	(7,054)
Issuance of shares, net(*)	22	8,423				8,445
Forfeiture and expiration of share options	—	26	(44)	—	—	(18)
Cost of share-based payment	—	—	1,061	—	—	1,061
Balance at December 31, 2017	$ 171	65,951	$ 3,889	$ (2,188)	$ (55,102)	$ 12,721

(*) Net of issuance expenses of $ 133.

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

BRAINSWAY LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands (except share and per share data)

	Year ended December 31,	
	2017	2016
Cash flows from operating activities:		
Total comprehensive loss	$ (7,054)	$ (2,397)
Adjustments to reconcile net loss to net cash used in operating activities:		
Adjustments to profit or loss items:		
Capital loss	—	6
Depreciation and amortization	1,072	649
Finance expenses, net	274	328
Cost of share-based payment	1,028	(420)
Income taxes	169	—
	2,543	563
Changes in asset and liability items:		
Increase in trade receivables	(21)	(499)
Decrease in other accounts receivable	113	56
Increase in trade payables	310	137
Increase in other accounts payable	163	208
Increase (decrease) in deferred revenues and other liabilities	523	(482)
	1,088	(580)
Cash paid and received during the year for:		
Interest	12	12
Taxes	(56)	—
	(44)	12
Net cash used in operating activities	(3,467)	(2,402)
Cash flows from investing activities:		
Proceeds from sale of property and equipment	—	5
Purchase of property and equipment	(985)	(408)
Investment in restricted deposit	(2,000)	—
Sale of short-term deposits, net	535	—
Investment in (withdrawal of) long-term deposits, net	(1)	10
Net cash used in investing activities	(2,451)	(393)
Cash flows from financing activities:		
Receipt of loan from bank, net	2,702	—
Receipt of government grants	186	717
Repayment of liability in respect of research and development grants	(375)	(326)
Exercise of share options	—	179
Issuance of warrants	150	—
Proceeds from issuance of shares, net	8,445	—
Net cash provided by financing activities	11,108	570
Exchange rate differences on cash and cash equivalents	145	44
Increase (decrease) in cash and cash equivalents	5,335	(2,181)
Cash and cash equivalents at the beginning of the year	9,174	11,355
Cash and cash equivalents at the end of the year	$ 14,509	$ 9,174
(a) *Significant non-cash transactions:*		
Purchase of property and equipment on credit	$ 469	$ —

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

NOTE 1:—GENERAL

a. A general description of the Company and its activity:

Brainsway Ltd. ("the Company") incorporated on November 7, 2006, is a commercial stage medical device company focused on the development and sale of non-invasive Deep Transcranial Magnetic Stimulation ("Deep TMS"), technology for the treatment of neurological and addiction disorders. The Deep TMS system ("system") uses magnetic pulses to stimulate neurons and consequently modulates the physiological activity of the brain.

In January 2013, the first commercial Deep TMS system received clearance by the United States Food and Drug Administration ("FDA") for the treatment of major depressive disorder ("MDD") in adults who failed to achieve satisfactory improvement from anti-depressant medication. In August 2018, the Company received clearance of marketing authorization by the FDA for the adjunct therapy for the treatment of obsessive-compulsive disorder (OCD) in adults.

Brainsway Ltd. ("the Company") and its wholly owned subsidiaries, Brainsway Inc. ("Inc"), Moach R&D Services Ltd. ("Moach"), Brainsway USA Inc ("USA Inc"), collectively (the "Group") derive revenues from the sale and lease of its systems.

b. The Group had negative cash flows from operating activities and an operating loss of $ 3,467 and $ 6,611 for the year ended December 31, 2017, respectively. In August 2017, the Company entered into an agreement for the receipt of a bank credit facility of up to $ 6,000. In October 2017, the Company withdrew $ 3,000 from the said credit facility (see Note 13b and 13d). The Company's management and board of directors believe that the Company will have the required funding to finance its business activity according to its plans in the foreseeable future.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation of the financial statements:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Company's financial statements have been prepared on a cost basis, except for certain financial instruments which are presented at fair value through profit or loss.

The Company has elected to present the profit or loss items using the function of expense method.

b. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company ("subsidiaries"). Control is achieved when the Company has power over the subsidiaries, is exposed or has rights to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. In assessing control, the effect of potential voting rights is considered only if they are substantive. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The accounting policies in the financial statements of the subsidiaries have been applied consistently and uniformly with those applied in the financial statements of the Company. Significant intragroup balances and transactions and gains or losses resulting from transactions between the Company and the subsidiaries are eliminated in full in the consolidated financial statements.

c. Functional currency, presentation currency and foreign currency:

1. Functional currency and presentation currency:

The functional currency is the currency that best reflects the economic environment in which the Company operates and conducts its transactions, is separately determined for each Group entity and is used to measure its financial position and operating results. The Group determines the functional currency of each Group entity. The Company's functional and presentation currency is the US Dollar for all reported periods.

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated to the functional currency using the exchange rate prevailing at the date when the fair value was determined.

d. Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of investment or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

e. Short-term deposits:

Short-term deposits are deposits with an original maturity of more than three months from the date of investment and which do not meet the definition of cash equivalents.

f. Allowance for doubtful accounts:

The allowance for doubtful accounts is determined in respect of specific trade receivables whose collection in the opinion of the Company's management, is doubtful. Impaired receivables are derecognized when they are assessed as uncollectible.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Revenue recognition:

Revenues are recognized when can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenues are measured at the fair value of the consideration less any trade discounts.

The Company generates revenues from the sale and lease of its systems. The Company sells its products mainly to end users and to a lesser extent to third-party distributors outside of the United States and does not provide return rights.

Revenues from sale of systems:

Revenues from sale of systems are recognized when all the significant risks and rewards of ownership have passed to the buyer, upon delivery of the system and when the seller no longer retains continuing managerial involvement.

Revenues from lease of systems:

The Company generates revenue from leasing its systems usually for a term of up to four years either for a fixed annual fee, or a variable fee, which is determined based on the higher of: fees per treatment (i.e. usage based fees) or an annual minimum fee as stated in the contract.

Leases in which substantially all the risks and rewards incidental to ownership of the leased asset are not transferred to the lessee are classified as operating leases. Revenue from operating leases are recognized on a straight-line basis over the lease term. Usage based fees are recognized as revenue when the Company is entitled to receive such revenue.

h. Government grants:

Government grants are recognized when there is reasonable assurance that the grants will be received and the Company will comply with all attached conditions.

Government grants received from the Israel Innovation Authority ("IIA") are recognized upon receipt as a liability if future economic benefits are expected to be derived from the research project, resulting in royalty-bearing sales due to the IIA.

A liability for the grant is first measured at fair value using a discount rate that reflects a market rate of interest. The difference between the amount of the grant received and the fair value of the liability is accounted for as a government grant and recognized as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method. Royalty payments are recorded as a reduction of the liability.

If no economic benefits are expected from the research activity, the grant received are recognized as a reduction of the related research and development expenses. In that event, the royalty obligation is treated as a contingent liability in accordance with IAS 37.

In each reporting date, the Company evaluates whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid based on the best estimate of future

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

sales and using the original effective interest method and, if so, the appropriate amount of the liability is derecognized against a corresponding reduction in research and development expenses.

Grants received from the IIA prior to January 1, 2009, which are recognized as a liability, are accounted for as forgivable loans in accordance with IAS 20, based on the original terms of the loan.

i. Leases:

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and is determined at the inception of the lease in accordance with IAS 17.

Leases in which substantially all the risks and rewards of ownership of the leased asset are not transferred are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

j. Taxes on income:

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted at the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that utilization is probable.

Taxes that would apply in the event of the disposal of investments in subsidiaries have not been taken into account in computing deferred taxes, as long as the disposal of the investments in subsidiaries is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by subsidiaries as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividends from a subsidiary that would trigger an additional tax liability.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

k. Property and equipment, net:

Property and equipment are measured at cost less accumulated depreciation and excluding day-to-day servicing expenses.

The cost of self-constructed systems includes the cost of materials, direct labor and share-based payment, as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%
Leased systems	15
Laboratory equipment	15
Motor vehicles	15
Computers	33
Office furniture and equipment	6 - 15
Leasehold improvements	(*)

(*) Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the expected life of the improvement.

The useful life and depreciation method of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate.

l. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable.

If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset.

The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

Impairment of leased equipment is recognized in cost of revenues. For the years ended December 31, 2017 and 2016, impairment of $ 225 and nil was recorded, respectively.

m. Financial instruments:

1. Financial assets:

Financial assets within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are initially recognized at fair value plus direct transaction costs, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

After initial recognition, the accounting treatment of financial assets is based on their classification as follows:

Loans and receivables:

Loans and receivables are investments with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans are measured based on their terms at cost plus direct transaction costs using the effective interest method and less any impairment losses. Short-term borrowings are measured based on their terms, normally at face value.

2. Financial liabilities:

Financial liabilities within the scope of IAS 39 are initially recognized at fair value. Loans and other liabilities measured at amortized cost are presented less direct transaction costs. After initial recognition, the accounting treatment of financial liabilities is based on their classification as follows:

a) Financial liabilities at amortized cost:

After initial recognition, loans and other liabilities are measured based on their terms at cost less direct transaction costs using the effective interest method.

b) Financial liabilities at fair value through profit or loss:

A Financial liabilities may be designated upon initial recognition at fair value through profit or loss, if the criteria in IAS 39 are satisfied.

3. Issuance of a unit of securities:

The issuance of a unit of securities involves the allocation of the proceeds received (before issuance expenses) to the securities issued in the unit based on the following order: financial derivatives and other financial instruments measured at fair value in each period. Then fair

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

value is determined for financial liabilities that are measured at amortized cost. The proceeds allocated to equity instruments are determined to be the residual amount. Issuance costs are allocated to each component pro rata to the amounts determined for each component in the unit.

4. Derecognition of financial instruments:

a) Financial assets:

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Company has transferred its contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full without material delay to a third party and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

b) Financial liabilities:

A financial liability is derecognized when it is extinguished, that is when the obligation is discharged, cancelled or expires. A financial liability is extinguished when the debtor (the Group) discharges the liability by paying in cash, other financial assets, goods or services or is legally released from the liability.

5. Impairment of financial assets:

The Group assesses at each reporting date whether there is any objective evidence of impairment of a financial asset or group of financial assets as follows:

Financial assets carried at amortized cost:

Objective evidence of impairment exists when one or more events that have occurred after initial recognition of the asset have a negative impact on the estimated future cash flows. The amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate is the current effective interest rate. In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, up to the amount of any previous impairment, is recorded in profit or loss.

n. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 — inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Level 3 — inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

o. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

p. Employee benefit liabilities:

1. Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual and sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Company has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

The Group has defined contribution plans pursuant to Section 14 of the Severance Pay Law ("Section 14") under which the Group pays fixed contributions and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

amounts to pay all employee benefits relating to employee service in the current and prior periods.

The Israeli Severance Pay Law, 1963 ("Severance Pay Law"), specifies that employees are entitled to severance payment following the termination of their employment. Under the Severance Pay Law, the severance payment is calculated as one month salary for each year of employment, or a portion thereof. The majority of the Company's liability for severance pay is covered by the provisions of. Under Section 14, employees are entitled to monthly deposits, at a rate of 8.33% of their monthly salary, made on behalf of the employee with insurance companies. Payments in accordance with Section 14 release the Company from any future severance payments in respect of those employees. As a result, the Company does not recognize any liability for severance pay due to these employees and the deposits under Section 14 are not recorded as an asset in the Company's balance sheet.

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services and no additional provision is required in the financial statements. See also Note 15.

q. Share-based payment transactions:

The Company's employees and other service providers are entitled to remuneration in the form of equity-settled share-based payment.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting date includes the Group's best estimate of the number of equity instruments that will ultimately vest.

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value of option granted is determined using the Binomial Lattice option-pricing model ("Binomial model"). The Binomial model takes into account variables such as volatility, dividend yield rate, and risk-free interest rate and also allows for the use of dynamic assumptions and considers the contractual term of the option, the probability that the option will be exercised prior to the end of its contractual life, and the probability of termination or retirement of the option holder in computing the value of the option.

No expense is recognized for awards that do not ultimately vest.

s. Net loss per share:

Net loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period.

Basic net loss per share includes only shares that are outstanding during the period.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

Potential Ordinary shares are included in the computation of diluted net loss per share when such shares are dilutive. Potential Ordinary shares that are converted during the period are included in diluted net loss per share only until the conversion date and from that date in basic net loss per share.

NOTE 3:—SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

In the process of applying the significant accounting policies in the financial statements, the Group has made the following judgments, estimates and assumptions, which have the most significant effect on the amounts recognized in the financial statements:

a. Judgments:

Classification of leases:

Evaluation of whether to classify a lease as a finance lease or an operating lease in accordance with the criteria stipulated in IAS 17 requires significant judgment.

b. Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Grants from the IIA:

Government grants received from the IIA are recognized as a liability if future economic benefits are expected from the research and development activity that will result in royalty-bearing sales. There is uncertainty regarding the estimated future cash flows and discount rate used to measure the amount of the liability.

- Determining the fair value of share-based payment transactions:

The fair value of share-based payment transactions is determined upon initial recognition by the Binomial model. The Binomial model is based on share price and exercise price and assumptions regarding expected volatility, term of share option, dividend yield and risk-free interest rate.

NOTE 4:—DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

a. IFRS 9, "Financial Instruments":

In July 2014, the IASB completed the final element of its comprehensive response to the financial crisis by issuing IFRS 9 Financial Instruments. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. Certain securities that are currently measured at fair value through profit or loss will be measured at fair value through other comprehensive income (loss) in accordance with IFRS 9. In addition, the Company will measure expected credit loss of the securities that will be measured at fair value through other comprehensive income (loss). The Company chose to adopt the provisions of IFRS 9 retrospectively with certain reliefs and not to restate comparative figures. The first time adoption of IFRS 9 had no impact on accumulated deficit as of January 1, 2018.

b. IFRS 15, "Revenue from Contracts with Customers":

IFRS 15 was issued in May 2014, and amended in April 2016 by the IASB, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 introduces a five-step model that will apply to revenue recognized from contracts with customers. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Company adopted the new standard as of January 1, 2018 using the modified retrospective method. During 2017, the Company performed an assessment of IFRS 15 impact as described below:

1. Sale of systems

For contracts with customers in respect of the sale of systems the adoption of IFRS 15 is not expected to have any impact on the Company's revenue and profit or loss. The Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the systems.

2. Receivables and advances received from customers

Generally, the Company receives only short-term advances from its customers mainly related to its operating lease transactions, which are presented as deferred revenue. In instances whereby the Company provides its customers payment terms of up to 12 months, the Company will use the practical expedient and will not adjust for short- term receivables or advances for a financing component.

3. Presentation and disclosure requirements

IFRS 15 provides presentation and disclosure requirements which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and may significantly expand the disclosures required in Company's financial statements.. In 2017, the Company updated the internal controls, policies and procedures necessary to collect and disclose the required information.

NOTE 4:—DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Continued)

After evaluating the implications of the adoption of IFRS 15, there is no cumulative impact to the Company's accumulated deficit as of January 1, 2018.

c. IFRS 16, "Leases":

In January 2016, the IASB issued IFRS 16, "Leases" ("IFRS 16") , which replaces IAS 17, "Leases", IFRIC 4, "Determining whether an Arrangement contains a Lease", SIC-15, "Operating Leases-Incentives" and SIC-27, "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees—leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Company expects to adopt the modified retrospective approach and that the effect of the first-time adoption of IFRS 16 as of January 1, 2019 will result in an increase ranging from $1,300-$1,500 of the Company's total assets and corresponding liabilities.

Also, the effect of the first-time adoption of IFRS 16 in 2019 is expected to result in a decrease ranging of approximately $500 in the Company's operating lease expense, an increase ranging of approximately $450 and an increase ranging of approximately $100 in the Company's depreciation and amortization expense and finance expense, respectively. The total effect of the first-time adoption of IFRS 16 in 2019 is expected to result in a decrease of approximately $50 in operating loss, an increase of approximately $50 in loss before taxes, an increase of approximately $400 in cash flows from operating activities and a corresponding decrease in cash flows from financing activities.

U.S. dollars in thousands (except share and per share data)

NOTE 4:—DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Continued)

The above quantitative disclosures refer to the impact known to the Company as of today based on the existing lease contracts as of January 1, 2019. The accounting treatment of transactions in which the Company is the lessor will remain without any material change. The Company has a bank credit facility that contains certain financial covenants. The first-time adoption of IFRS 16 is not expected to have an effect on these covenants. The Company's forecast of the effects of IFRS 16 on the financial statements depends on additional contracts that will be signed during the period up to the first-time adoption of IFRS 16 and changes in various economic variables that may affect the discount rates used for the calculation of the liabilities during the period up to the first-time adoption of IFRS 16.

d. IFRIC 23, "Uncertainty over Income Tax Treatments":

In June 2017, the IASB issued IFRIC 23, "Uncertainty over Income Tax Treatments" ("the Interpretation"). The Interpretation clarifies the rules of recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, "Income Taxes", in situations of uncertainty involving income taxes. The Interpretation provides guidance on considering whether some tax treatments should be considered collectively, examination by the tax authorities, measurement to reflect uncertainty involving income taxes in the financial statements and accounting for changes in facts and circumstances underlying the uncertainty.

The Interpretation is to be applied in financial statements for annual periods beginning on January 1, 2019. Early adoption is permitted. Upon initial adoption, the Company will apply the Interpretation using one of two approaches: 1. Full retrospective adoption, without restating comparative data, by recording the cumulative effect through the date of initial adoption in the opening balance of retained earnings, or 2. Full retrospective adoption including restatement of comparative data.

The Company does not expect the Interpretation to have any material impact on its financial statements.

NOTE 5:—CASH AND CASH EQUIVALENTS

	December 31,	
	2017	2016
Cash for immediate withdrawal	$ 7,386	$ 8,974
Cash equivalents—short-term deposits(1)	7,123	200
	$ 14,509	$ 9,174

(1) The deposits earn annual interest at the respective term of the deposits (NIS—0.09%; U.S. dollar—1.28%).

As of December 31, 2017, the Group had a $ 3,000 unused credit facility, see Note 13b.

U.S. dollars in thousands (except share and per share data)

NOTE 6:—SHORT-TERM DEPOSITS

	December 31,	
	2017	2016
Bank deposits(1)	$ 50	$ 585

(1) Short-term deposits at banks are for periods of up to one year. The deposits earn annual interest at the respective term of the deposits (U.S. dollar—0.35%).

NOTE 7:—TRADE RECEIVABLES, NET

	December 31,	
	2017	2016
Open accounts(1)	$ 2,707	$ 2,703
Credit cards	—	23
Less—allowance for doubtful accounts	(288)	(234)
Trade receivables, net	$ 2,419	$ 2,492

(1) Trade receivables generally have 90 day credit terms. Certain customers payments are made through monthly credit card transactions.

An analysis of past due but not impaired trade receivables (allowance for doubtful accounts) as of December 31, 2017 and 2016:

	Neither past due nor impaired	Past due trade receivables with aging of					
		< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	> 120 days	Total
December 31, 2017	$ 1,198	$ 323	$ 258	$ 77	$ 153	$ 410	$ 2,419
December 31, 2016	$ 1,843	$ 190	$ 131	$ 46	$ 219	$ 63	$ 2,492

As of December 31, 2017, the Company has over 90 days past due trade receivables not impaired of $ 563, of which $ 511 were paid between the reporting date and the date of the approval of the financial statements. The Company expects to collect the entire amount of these debts.

NOTE 8:—OTHER ACCOUNTS RECEIVABLE

	December 31,	
	2017	2016
Government authorities	$ 394	$ 291
Accrued income—IIA	113	107
Consumables	271	380
Prepaid expenses and other	131	81
	$ 909	859

U.S. dollars in thousands (except share and per share data)

NOTE 9:—PROPERTY AND EQUIPMENT, NET

December 31, 2017:

	Leased systems	System Components	Laboratory equipment	Motor vehicles	Computers	Office furniture and equipment	Leasehold improvements	Total
Cost:								
Balance at January 1, 2017	$ 4,093	$ 3,750	$ 160	$ 1	$ 454	$ 75	$ 52	$ 8,585
Additions	—	2,721	—	—	18	—	—	2,739
Transfer to leased systems	1,957	(1,957)	—	—	—	—	—	—
Reductions	(1,423)	(961)	—	—	—	—	—	(2,384)
Balance at December 31, 2017	4,627	3,553	160	1	472	75	52	8,940
Accumulated depreciation:								
Balance at January 1, 2017	1,179	—	122	1	216	33	52	1,603
Additions	680	—	23	—	192	5	—	900
Reductions	(672)	—	—	—	—	—	—	(672)
Balance at December 31, 2017	1,187	—	145	1	408	38	52	1,831
Depreciated cost at December 31, 2017	$ 3,440	$ 3,553	$ 15	$ —*	$ 64	$ 37	$ —*	$ 7,109

U.S. dollars in thousands (except share and per share data)

NOTE 9:—PROPERTY AND EQUIPMENT, NET (Continued)

December 31, 2016:

	Leased systems	System Components	Laboratory equipment	Motor vehicles	Computers	Office furniture and equipment	Leasehold improvements	Total
Cost:								
Balance at January 1, 2016	$ 3,656	$ 4,251	$ 160	$ 25	$ 414	$ 74	$ 52	$ 8,632
Additions	—	2,445	—	—	24	1	—	2,470
Transfer to leased systems	1,029	(1,029)	—	—	—	—	—	—
Reductions	(592)	(1,917)	—	(24)	—	—	—	(2,533)
Balance at December 31, 2016	4,093	3,750	160	1	438	75	52	8,569
Accumulated depreciation:								
Balance at January 1, 2016	813	—	99	11	162	28	45	1,158
Additions	584	—	23	2	190	5	7	811
Reductions	(218)	—	—	(12)	—	—	—	(230)
Balance at December 31, 2016	1,179	—	122	1	352	33	52	1,739
Depreciated cost at December 31, 2016	$ 2,914	$ 3,750	$ 38	$ —*	$ 83	$ 42	$ —*	$ 6,830

* Represents amounts less than $ 1.

NOTE 10:—FAIR VALUE MEASUREMENT

The following table presents the fair value measurement hierarchy for the Group's assets and liabilities.

Quantitative disclosures of the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2017 and 2016:

	Valuation date	Fair value hierarchy			
		Level 1	Level 2	Level 3	Total
Liabilities measured at fair value:					
Liability in respect of warrants	31.12.2017	$ —	$ 112	$ —	$ 112
Liability in respect of warrants	31.12.2016	$ —	$ —	$ —	$ —

U.S. dollars in thousands (except share and per share data)

NOTE 11:—TRADE PAYABLES

	December 31,	
	2017	2016
Open debt	$ 1,631	$ 810

Trade payables are non-interest bearing and are normally settled on up to 90 day terms.

NOTE 12:—OTHER ACCOUNTS PAYABLE

	December 31,	
	2017	2016
Employee and payroll accruals	$ 918	$ 772
Accrued expenses	665	541
Tax payable	128	—
Liabilities to related parties(1)	92	123
	$ 1,803	$ 1,436

(1) A current non-interest bearing account.

NOTE 13:—NON-CURRENT LIABILITIES

a. Composition:

	December 31,	
	2017	2016
Loan from bank(b)	$ 2,727	$ —
Warrants(b)	112	—
Liability in respect of research and development grants(c)	5,028	4,908
Deferred revenues and other liabilities	309	374
	$ 8,176	$ 5,282

b. Loan from bank:

On August 17, 2017, the Company entered into an agreement for the receipt of a bank credit facility of up to $ 6,000 (the "Bank Credit Facility"). $ 3,000 was withdrawn during 2017 ("the first facility") and bears annual interest of 3-months Libor plus 6%. The remaining credit facility ("the second facility") may be withdrawn until March 15, 2018 bearing annual interest 3-months Libor plus 6.75%. The interest on the loans is payable on a quarterly basis and the loan principal is repayable in eight equal consecutive quarterly installments, whereby the first installment is due at the end of 18 and 12 months from the date of withdrawal of the loans from the first and second facilities, respectively. Also, according to the agreement, the Company will grant the bank warrants to purchase its ordinary shares for the total exercise price of up to $ 600. The warrants are

NOTE 13:—NON-CURRENT LIABILITIES (Continued)

exercisable for a period of five years from the date of any grant at an exercise price of $ 5.02 per share to be settled in cash or a cashless exercise mechanism.

On October 3, 2017, the Company granted the bank 59,761 warrants at an aggregate exercise price of $300 as a condition for receiving the first facility.

The fair value of the warrants at the grant date was estimated at $ 150 and the remaining balance of $2,850 was attributed to the loan. Transaction costs of $ 156 were allocated based on to the relative fair value of the warrants and loan. The warrants are classified as a financial liability and measured at fair value through profit or loss. As of December 31, 2017, the fair value of the warrants was estimated at $ 112.

The remaining warrants will be granted on the date of withdrawal of the loan from the second facility, so that the exercise amount will constitute 10% of the loan actually withdrawn from the second facility. The Company is entitled to make an early repayment of all or part of the loans. In such a case, the Company will pay the bank an early repayment fee as detailed in the agreement.

As part of the agreement, and as a condition for using the first and second facilities, the Group undertook to provide the bank fixed and floating charges on all its assets, including property, cash, goodwill, intellectual property, rights and assets of any kind. In addition, the Group undertook to sign a guarantee letter, unlimited in amount, to secure the loans that will be provided by virtue of the agreement. Also, a senior fixed charge, unlimited in amount, was provided on a specific deposit in which an amount of not less than $ 2,000 was deposited ("the deposited amount"). It was agreed that if by March 16, 2018, the amount of loans actually withdrawn is less than $ 6,000, the deposited amount would be placed at one-third of the actual amount of loans outstanding on that date.

For information regarding the amendment to the agreement signed on February 12, 2018, see Note 23a below.

c. Government grants:

Moach received from the Israeli Government participation grants in research and development and, in return, it is currently obligated to pay royalties amounting to 3% of sales of products from such grants up to 100% of total grants received.

As of December 31, 2017, the maximum royalties payable by the Company in the future in respect of active projects is $ 12,561, including interest at the Libor rate. Through December 31, 2017, royalties paid were $ 968.

d. Financial covenants:

According to the Bank Credit Facility agreement (see: b above), the withdrawal of the credit facility is subject to meeting the following financial covenants: (1) total trade receivables and the cash balance will not be less than $ 4,000 provided that the total cash, including the restricted deposit, is not less than $ 2,000; (2) minimum lease fees expected to be received from all signed lease contracts of the Company during a period of four years shall be no less than $ 15,000 (cumulative); (3) minimum lease fees expected to be received from all signed lease contracts of the

NOTE 13:—NON-CURRENT LIABILITIES (Continued)

Company during a period of four years offset by amounts that may not be received from customers due to early termination of the lease contract, shall be no less than $ 7,500 and (4) total short and long-term financial credit shall not exceed $ 6,000.

As of December 31, 2017, the Company met the abovementioned financial covenants.

NOTE 14:—FINANCIAL INSTRUMENTS

a. Classification of financial assets and financial liabilities:

The financial assets and financial liabilities in the statement of financial position are measured at amortized cost, except financial liabilities in respect of warrants at fair value through profit or loss. The balance of financial liabilities in respect of warrants as of December 31, 2017 and 2016 was $ 112 and nil, respectively.

b. Financial risks factors:

The Group's activities expose it to various financial risks such as market risks (foreign currency risk, interest risk), credit risk and liquidity risk. The Group's comprehensive risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performance.

The Company's Chief Financial Officer oversees the management of these risks in accordance with the policies approved by the board of directors.

1. Market risks:

Foreign currency risk:

The currency exposure arises from current accounts and deposits that are mainly managed in NIS and from liability in respect of employee payroll accruals that are paid in NIS.

2. Credit risk:

Credit risk is the risk that a counterparty will not meet its obligations as a customer or under a financial instrument leading to a loss to the Group. The Group is exposed to credit risk from its operating activity (primarily trade receivables).

3. Liquidity risk:

The Group monitors its risk of a shortage of cash using a quarterly budget.

U.S. dollars in thousands (except share and per share data)

NOTE 14:—FINANCIAL INSTRUMENTS (Continued)

The table below presents the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

December 31, 2017

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
Trade payables	$ 1,631	$ —	$ —	$ —	$ —	$ —	$ 1,631
Other accounts payable	1,803	—	—	—	—	—	1,803
Loan from bank	219	963	1,624	771	—	—	3,577
Long-term liabilities	2	2	2	—	—	—	6
Liability in respect of research and development grants	504	782	1,470	1,855	2,380	6,207	13,198
	$ 4,159	$ 1,747	$ 3,096	$ 2,626	$ 2,380	$ 6,207	$ 20,215

December 31, 2016

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
Trade payables	$ 810	$ —	$ —	$ —	$ —	$ —	$ 810
Other accounts payable	1,436	—	—	—	—	—	1,436
Long-term liabilities	2	2	2	2	2	—	10
Liability in respect of research and development grants	137	283	509	2,875	3,415	6,002	13,221
	$ 2,385	$ 285	$ 511	$ 2,877	$ 3,417	$ 6,002	$ 15,477

c. Fair value:

The carrying amount of cash and cash equivalents, short-term deposits, trade receivables, other accounts receivable, trade payables, other accounts payable, warrants, long-term liabilities approximate their fair value.

Financial liabilities measured at fair value:

December 31, 2017

	Level 2
Opening balance at January 1, 2017	$ —
Recognition of financial liability in respect of warrants	150
Amounts transferred to the statement of comprehensive loss as finance income	(38)
Closing balance at December 31, 2017	$ 112

U.S. dollars in thousands (except share and per share data)

NOTE 14:—FINANCIAL INSTRUMENTS (Continued)

During 2017, there were no transfers between Level 1 to Level 3 for fair value measurements of financial instruments, however there were transfers into Level 2 for fair value measurements of financial instruments.

d. Sensitivity tests relating to changes in foreign currency:

	December 31,	
	2017	2016
Sensitivity test to changes in the NIS exchange rate:		
Gain (loss) from the change:		
Increase of 5% in exchange rate	405	103
Decrease of 5% in exchange rate	(405)	(103)

As of December 31, 2017, the Company has excess of financial assets over financial liabilities in NIS in relation to US dollar of $ 8,126.

As of December 31, 2017, the Company has excess of financial assets over financial liabilities in Euro and Yen in relation to US dollar of $ 539 and $888, respectively. An increase or decrease of 5% of the US dollar relative to the Euro or Yen would not have a significant effect on the Company.

Sensitivity tests and principal work assumptions:

The selected changes in the relevant risk variables were determined based on management's estimate as to reasonable possible changes in these risk variables.

The Company has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position. The sensitivity tests present the profit or loss in respect of each financial instrument for the relevant risk variables chosen for that instrument as of each reporting date. The test of risk factors was determined based on the materiality of the exposure of the operating results or financial condition of each risk with reference to the functional currency and assuming that all the other variables are constant.

NOTE 15:—EMPLOYEE BENEFITS AND LIABILITIES

Employee benefits consist of short-term and post-employment benefits.

Defined contribution plans:

Section 14 to the Severance Pay Law, 1963 applies to all of the Company's employees pursuant to which the fixed contributions paid by the Group into pension funds and/or policies of insurance companies release the Group from any additional liability to employees for whom said contributions were made. These contributions benefits represent defined contribution plans.

Expense in respect of defined contribution plans was $190 and $263 for the years ended December 31, 2016 and 2017, respectively.

NOTE 16:—TAXES ON INCOME

a. Tax rates applicable to the Company and subsidiaries:

1. Tax rate applicable to Company and Moach:

In December 2016, the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2017 was approved, which reduces the corporate income tax rate to 24% (from 25%) effective from January 1, 2017 and to 23% effective from January 1, 2018.

The Israeli corporate income tax rate was 24% and 25% in 2016 and 2017, respectively.

A company is taxable on its real capital gains at the corporate income tax rate in the year of sale.

2. Tax rate applicable to USA Inc and Inc:

The weighted tax rate in 2016 and 2017 for companies incorporated in the US was 35%-40% (Federal, State and City tax of the city where the company operates).

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was enacted into law. The income tax effects of changes in tax laws are recognized in the period when enacted. The Act provides for numerous significant tax law changes and modifications with varying effective dates, which include reducing the corporate federal income tax rate from 35% to 21%, creating a semi-territorial tax system (with a one-time mandatory tax on previously deferred foreign earnings), broadening the tax base and allowing for immediate capital expensing of certain qualified property.

The Act also changed to a semi-territorial system. As a result, a one-time transition tax is imposed on the accumulated earnings and profits of the foreign subsidiaries of the US entities. The Company's subsidiaries in the United States do not have any profitable foreign subsidiaries and, therefore, the remaining provisions of the Act have no material impact on the Company's results of operations.

The main differences between the statutory corporate tax rate and the effective tax rate are carryforward losses in Israel in respect of which no deferred taxes were recorded and a current tax expense in respect of income of USA Inc and Inc.

b. Tax benefits under the Israel Law for the Encouragement of Capital Investments, 1959 ("Law") and

Amendment to the Law for the Encouragement of Capital Investments, 1959 (Amendment 73):

In December 2016, the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 which includes Amendment 73 to the Law for the Encouragement of Capital Investments ("the amendment") was published. According to the amendment, a "beneficiary enterprise" located in development area A will be subject to a tax rate of 7.5% instead of 9% effective from January 1, 2017 and thereafter (the tax rate applicable to preferred enterprises located in other areas remains at 16%).

NOTE 16:—TAXES ON INCOME (Continued)

The amendment also prescribes special tax tracks for technological enterprises, which became effective in 2017, as follows:

Technological preferred enterprise—an enterprise for which total consolidated revenues of its parent company and all subsidiaries are less than NIS 10 billion. A technological preferred enterprise, as defined in the amendment, which is located in the center of Israel will be subject to tax at a rate of 12% on profits deriving from intellectual property (in development area A - 7.5%).

Any dividends distributed to a "foreign company", as defined in the amendment, deriving from income from the technological preferred enterprise will be subject to tax at a rate of 4%.

The Law for the Encouragement of Industry (Taxation), 1969:

Moach has the status of an "industrial company", as defined by this law. According to this status and by virtue of regulations published thereunder, the Company is entitled to claim a deduction of accelerated depreciation on equipment used in industrial activities, as determined in the regulations issued under the Inflationary Law. The Company is also entitled to amortize a patent or rights to use a patent or intellectual property that are used in the enterprise's development or advancement, to deduct issuance expenses for shares listed for trading and to file a consolidated report under certain conditions.

Subject to meeting criteria determined in the Law and amendment, Moach will be entitled to various tax benefits, as implied by the Law and amendment.

c. Tax assessments:

The Company received final tax assessments through the 2011 tax year. The subsidiary, Moach, received final tax assessments through 2012. The subsidiary, Inc, received final tax assessments through the 2013 tax year.

d. Carryforward losses for tax purposes:

Carryforward losses for tax purposes as of December 31, 2017 are approximately $2,780 in Brainsway Ltd. and approximately $39,463 in Moach.

e. Deferred taxes:

As it is not probable that taxable income will be derived in the next years, a valuation allowance was established in respect of deferred taxes of the above carryforward losses.

NOTE 17:—CONTINGENT LIABILITIES, COMMITMENTS AND CHARGES

a. As for contingent liability in respect of payment of royalties to the IIA, see Note 13c.

b. During 2009-2017, the Company entered into a few distribution agreements with third parties regarding different territories around the world. According to these distribution agreements, the third parties are granted the exclusive right to market, distribute, lease and/or sale, use and promote sales of the systems in the different territories up to a 15 year period. The Company will

NOTE 17:—CONTINGENT LIABILITIES, COMMITMENTS AND CHARGES (Continued)

supply the systems to the distributors and they will install, train and maintain the systems in the territory they operate. The different distributors are committed to minimum quantities as stated in the agreements.

c. In September 2013, the Company entered into a distribution agreement in Japan with Century Medical Inc., a member of the Itochu concern, which specializes in the import and distribution of medical systems and equipment in Japan. According to the agreement, the distributor was granted the exclusive right to market the Company's system for the treatment of major depression in patients in Japan for a ten year period after the required regulatory approvals for marketing the system in Japan are obtained. If the distributor meets the minimum quantities which it has committed during the contractual term, the agreement will be extended for an additional five years. The distributor is granted a right of first offer to distribute the Company's system in Japan without further codification.

In consideration for the above, the distributor is obligated to pay the Company distribution fees of 190 million Yen (approximately $1.7 million) in two payments: 100 million Yen (approximately $0.9 million as of December 31, 2017) paid in September 2013 and 90 million Yen (approximately $0.8 million as of December 31, 2017) is payable upon receipt of regulatory approval to market the Company's system in Japan.

In each year of the agreement in which the distributor meets the predetermined revenue target, 10% of the distribution fees are returned to the distributor. The $0.9 million distribution fee advance is presented in deferred revenues as of December 31, 2017 and 2016. The distributor will pay the Company for any treatment made with the Company's system (pay-per-use), but in no case less than the pre-determined annual amount. The agreement prescribes conditions in which the Company or the distributor can cancel the agreement, including the authorities' demand to require a clinical trial and non-compliance with the requirement to purchase minimum predetermined quantities.

The agreement sets a minimum payment threshold to the Company that is examined every few years throughout the contractual term. If the distributor does not qualify for the minimum payment threshold at the end of each period, the Company will be entitled to terminate the distribution agreement, unless the parties reach another agreement between them. The agreement further determines that the distributor will act on its account to receive the regulatory approvals that are required to market the Company's system for the treatment of depression in patients in Japan and to receive reimbursement coverage in the price range established in the agreement.

On January 22, 2018, the distributor in Japan applied to the Pharmaceutical and Medical Devices Agency ("PMDA"), which is responsible for all import and export licenses of pharmaceuticals and medical equipment to Japan, for approval of marketing and selling the Company's systems in Japan. The Company has not yet obtained the regulatory approvals to start marketing its systems in the territory.

d. During 2013-2017, the Company entered into agreements to perform multicenter trials in bipolar disorder, smoking, post-traumatic stress disorder (PTSD) and a comparison trial of the H1-H7 coils with different medical centers around the world. As of December 31, 2017, the Company's

NOTE 17:—CONTINGENT LIABILITIES, COMMITMENTS AND CHARGES (Continued)

management estimated that the anticipated remaining expenses in respect of these trials total $6,000.

e. On August 25, 2013, the Company received the approval of the MAGNET committee of the IIA for the development plan of the BSMT tool (brain stimulate and monitor tool). The plan was approved for three years and extended up to five years, in the framework of which the Company was approved work plans with participation rate of up to 66% of a non-royalty bearing grant. In the first three years of the plan, the Company received grants of NIS 6,300.

On October 27, 2016, the MAGNET committee approved an annual work plan for the fourth year with the budget of NIS 2.3 million, of which 55% (NIS 1,300) was provided to the Company as non-royalty bearing grants to date.

In September 2017 and February 2018, the MAGNET committee approved an annual work plan for the fifth year with the budget of NIS 2,100, of out of which 55% (NIS 1,200) was provided to the Company as non-royalty bearing grants to date.

f. In March 2014, the Company entered into an exclusive marketing and distribution agreement of the Company's system with a third party in Israel for a maximum period of 15 years, subject to meeting minimum sales targets as set in the agreement. In April 2014, the distributor paid the Company a one-time exclusivity fee of NIS 1 million. Also, it was agreed with the distributor on a minimum monthly payment for any leased system and an additional payment based on the number of treatments made with the system beyond the minimum monthly payment.

In September 2017, an amendment to the agreement was signed, extending the term of the agreement to 15 years from the date of the amendment, setting a minimum annual payment subject to its compliance with certain conditions detailed in the amendment to the agreement. As part of the amendment, the distributor must meet the order and installation target of 12 new systems each year, up to a cumulative total of 50 systems. In addition, if its income from a single system exceeds the predetermined amount, the Company will be entitled to 10%-20% of its revenues from that system based on the lease year of the system. In accordance with the terms of the amendment to the agreement, the distributor made a first order of five systems, which were delivered in 2018.

g. Commitments:

Operating lease commitments:

The Group has entered into operating leases on vehicles. These leases have an average life of three years, with no renewal option included in the contract.

1. Moach has a lease agreement until September 30, 2022, at monthly rentals of NIS 99, linked to the Israeli CPI of May 2017. The agreement gives an early termination option on September 30, 2020 in consideration for a predetermined compensation with a six-months notice.

   In addition, Moach has a lease agreement from July 2015 according to which Moach rents a warehouse in consideration for monthly rentals of NIS 8. The rent is binding until July 31,

U.S. dollars in thousands (except share and per share data)

NOTE 17:—CONTINGENT LIABILITIES, COMMITMENTS AND CHARGES (Continued)

2019 with a renewal option until July 31, 2021. The options may be automatically exercised unless Moach notifies of its intent not to exercise the options until six months before the end of the last lease period.

2. USA Inc has a lease agreement for its offices in the US until July 31, 2021 in consideration for monthly rentals of $5. The rent increases every year by 2%.

Future minimum commitments under non-cancellable lease agreements as of December 31 are as follows:

2018	$ 535
2019	461
2020	348
2021	32
	$ 1,376

h. License agreements:

1. In July 2003, Inc signed a license agreement with the agencies of the U.S. Public Health Service within the U.S. Department of Health and Human Services ("PHS"), according to which the Company was granted an exclusive license to develop, manufacture, make use of, market, sell and import products and processes to be developed in the framework of the license agreement with respect to TMS and a right to enter into sublicense agreements, subject to approval of the PHS. In return, Inc is committed to pay PHS royalties at fixed annual amount of $2 from January 1, 2004 and royalties of 2% of net sales beyond this amount as defined in the agreement. In addition, if Inc enters into a sub-license agreement, it is committed to pay royalties of 8% of the net consideration received for the grant of the sub-license. The current provision for royalties as of December 31, 2017 is $132.

The agreement is valid until the expiration of the last to expire of the licensed patent rights under the agreement. PHS is entitled to cancel the agreement if Inc does not comply with the conditions detailed in the agreement.

2. In June 2005 and March 2010, Inc signed a research and licensing agreement and addendum with Yeda Research and Development Company Ltd. ("Yeda"), according to which Inc was granted an exclusive license to intellectual property that can be used for research, development, marketing and manufacturing of products in the field of TMS treatment and may have the right to grant sublicenses subject to conditions specified in the agreement in consideration of royalty payments as follows:

a) 1% of net sales systems based upon certain patents (which include technology licensed from PHS).

b) 3% for the first $10,000 of net sales, and 2% for net sales over $10,000, for all other Deep TMS products solely based on certain patents licensed exclusively from Yeda provided however in the event that the products are sold to a sub-licensee and are

U.S. dollars in thousands (except share and per share data)

NOTE 17:—CONTINGENT LIABILITIES, COMMITMENTS AND CHARGES (Continued)

thereafter sold by such sub-licensee, the royalties paid to Yeda will be based on the higher of the net sales by the licensee or the net sales of the sale by the sub-licensee.

c) 4-8% of the net cash proceeds that the Company receives in respect of granting sublicenses or options for sublicenses dependent on the patents licensed.

The balance of provision for royalties as of December 31, 2017 is $ 66.

Royalties are payable at the later of 15 years after the first commercial sale or the patent life (20 years through October 2021). The agreement expires at the later of: the expiration of the last patent, 15 years after Inc starts to sell products integrating the patent and after a period of 20 years during which no sales are made.

The license agreement with Yeda may be subject to modifications in the event that the license agreement with PHS is modified (see 1, above) and may be cancelled based on various conditions, including the cancellation of the PHS agreement. See also Note 23b below.

i. Charges—loan from bank—see note 13

NOTE 18:—EQUITY

a. Composition of share capital:

	December 31, 2017		December 31, 2016	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of shares			
Ordinary shares of NIS 0.04 par value each	25,000,000	16,640,446	25,000,000	14,715,784

b. Movement in share capital:

Issued and outstanding capital:

	Number of shares	NIS par value
Balance at January 1, 2016	14,491,034	146,483
Exercise of options	224,750	2,349
Balance at December 31, 2016	14,715,784	148,832
Issuance of shares	1,924,662	22,065
Balance at December 31, 2017	16,640,446	170,897

c. Rights attached to shares:

Ordinary shares confer their holders rights to receive dividends in cash and in Company's shares, right to nominate the Company's directors and rights to participate in distribution of dividends

NOTE 18:—EQUITY (Continued)

upon liquidation in proportion to their holdings. Also, Ordinary shareholders have one vote at the shareholders' meeting such that each share confers one vote to its holder.

d. On April 26, 2012, the Company entered into an investment agreement, which closed in June 2012, according to which it raised $4 million from investors in consideration for the issuance of 532,382 Ordinary shares and 532,382 option to purchase Ordinary shares, of which 51,672 options were allocated to the managing underwriters. Half of the options (or all in the event of a "merger" as defined in the agreement) may be exercised by the investors in a cashless exercise.

On November 6, 2012, the Company entered into an investment agreement according to which it raised $1 million from a strategic investor in the pharma industry in consideration for the issuance of 112,406 Ordinary shares and 134,887 options to purchase Ordinary shares. On June 10, 2016, the above options expired. Total finance income in respect of the options for the year ended December 31, 2016 was $56.

e. In December, 2017, the Company entered into a private placement agreement with a group of investors according to which the Company issued 1,924,662 Ordinary in consideration for NIS 29,928 ($8,578). Issuance expenses amounted to $133.

It should be noted that if the Company wishes to raise capital during the twelve months after the closing date, by way of a public offering or private placement of shares and/or securities convertible into shares ("the additional offering") and if the effective price per share in the additional offering is less than the share price according to this private placement then, the investors will be entitled to receive additional Ordinary shares in respect of the shares issues as part of this private placement which are still held by such investor in consideration for NIS 0.3 per Ordinary share such that the price per share in respect of the total shares issued in this private placement equal to the effective price in the additional offering. For the purpose of calculating the adjustment, the effective price according to this private placement will be adjusted for distribution (as defined in the Companies Law), rights issuance, split or consolidation of capital and issuance of bonus shares. All changes are taken into account in the computation of the effective price in the additional offering.

U.S. dollars in thousands (except share and per share data)

NOTE 18:—EQUITY (Continued)

f. Capital management in the Company:

The Company's capital management objectives are to preserve the Group's ability to ensure business continuity thereby creating a return for the shareholders, investors and other interested parties.

The Company is not under any minimal equity requirements nor is it required to attain a certain level of capital return.

NOTE 19:—SHARE-BASED PAYMENT

a. The expense recognized in the financial statements for services received is shown in the following table:

	Year ended December 31,	
	2017	2016
Equity-settled share-based payment plans to employees, directors and consultants	$ 1,028	$ (420)

b. The share-based payment transactions that the Company granted to its employees, directors and consultants are shown in the following table:

Issuance Date	Grantee	Options outstanding as of December 31, 2017	Exercise price NIS	Exercise price $(*)	Exercisable as of December 31, 2017	Exercisable Through	Total Fair Value $
November 23, 2015	Director	37,597	27.97	7.18	12,532	November 23, 2025	117
December 8, 2015	Employees and Consultant	504,000	25.99	6.70	126,000	December 8, 2025	1,247
December 8, 2015	Employees and Consultant	384,100	31.19	8.04	72,300	December 8, 2025	1,053
April 1, 2017	Chief Executive Officer and Director	566,262	19.97	5.47	—	April 1, 2025	1,100
December 3, 2017	Director	27,500	21.37	6.12	—	September 21, 2027	54

(*) As of grant date.

c. The fair value of the Company's options granted for the years ended December 31, 2017 and 2016 was estimated using the Binomial model with the following assumptions:

	Year ended December 31,	
	2017	2016
Dividend yield (%)	0	0
Expected volatility (%)	40.58 - 56.77	47.68 - 58.86
Risk-free interest rate (%)	0.11 - 2.00	0.20 - 2.37
Expected exercise factor	2.8	2.8
Post-vesting forfeiture rate (%)	5 - 10	5

U.S. dollars in thousands (except share and per share data)

NOTE 19:—SHARE-BASED PAYMENT (Continued)

d. Movement during the year:

	Year ended December 31,			
	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding at January 1,	$ 1,148,297	31.18	$ 3,738,413	$ 12.34
Granted	593,762	20.03	—	—
Exercised	—	—	(899,000)	0.2
Expired	(8,017)	7.82	(162,825)	9.45
Forfeited	(12,985)	7.22	(1,528,291)	8.86
Outstanding at December 31,	$ 1,721,059	$ 27.39	$ 1,148,297	$ 31.18
Exercisable at December 31,	$ 599,357	$ 33.58	$ 426,400	$ 35.59

The weighted average remaining contractual life for the options outstanding as of December 31, 2017 and 2016 was approximately six years.

The range of exercise prices for options outstanding as of December 31, 2017 was NIS 19.97-NIS 59.13 (December 31, 2016—NIS 13-NIS 59.13).

NOTE 20:—ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE LOSS

a. Additional information on revenues:

Revenues reported in the financial statements for each group of similar products and services:

	Year ended December 31,	
	2017	2016
Revenues from lease(*)	$ 6,654	$ 5,327
Revenues from sale	4,491	6,197
	$ 11,145	$ 11,524

(*) In 2016, includes revenues of $ 475 derived from termination of a lease agreement with a distributor.

U.S. dollars in thousands (except share and per share data)

NOTE 20:—ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE LOSS (Continued)

Geographic information:

Revenues reported in the financial statements derived from the Company's country of domicile (Israel) and foreign countries based on the location of the customers, are as follows:

	Year ended December 31,			
	2017	%	2016	%
U.S.	$ 9,957	89	$ 9,090	79
Europe	871	8	802	7
Israel	180	2	441	4
Other	137	1	1,191	10
	$ 11,145	100	$ 11,524	100

b. Cost of revenues:

	Year ended December 31,	
	2017	2016
Cost of revenues- lease	$ 1,483	$ 1,004
Cost of revenues- sales	1,112	1,423
	$ 2,595	$ 2,427

c. Research and development expenses, net:

Salaries and related benefits	$ 2,954	$ 2,053
Subcontractors	1,584	1,885
Laboratory materials	453	402
Patents	134	104
Share-based payment	180	(214)
Travel	35	70
Depreciation	35	35
Other	362	273
Less—Government grants	(394)	(816)
	$ 5,343	$ 3,792

U.S. dollars in thousands (except share and per share data)

NOTE 20:—ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE LOSS (Continued)

d. Selling and marketing expenses:

	Year ended December 31,	
	2017	2016
Salaries and related benefits	$ 3,597	$ 3,293
Agent commissions	138	460
Marketing	1,690	746
Travel	777	670
Share-based payment	129	11
	$ 6,331	$ 5,180

e. General and administrative expenses:

Salaries and related benefits	$ 1,179	$ 1,125
Professional fees and office expenses	1,002	756
Depreciation	20	49
Travel	64	104
Allowance for doubtful accounts	503	377
Share-based payment	719	(217)
	$ 3,487	$ 2,194

f. Finance income and expense:

Finance income:		
Interest-income revaluation of bank deposits	$ 22	$ 12
Revaluation of warrants	38	56
Exchange rate differences	126	118
	$ 186	$ 186
Finance expense:		
Liability in respect of research and development grants	$ 273	$ 404
Interest expense and amortization of deferred costs- loan from bank	87	—
Bank commissions	47	61
Exchange rate differences	53	49
	$ 460	$ 514

U.S. dollars in thousands (except share and per share data)

NOTE 21:—NET LOSS PER SHARE

Number of shares and loss used in the computation of net loss per share:

	Year ended December 31,			
	2017		2016	
	Weighted number of shares*	Loss attributable to equity holders of the Company	Weighted number of shares*	Loss attributable to equity holders of the Company
Used in the computation of basic and diluted net loss	14,769	$ 7,054	14,507	$ 2,397

* Computation of diluted loss per share did not include potential ordinary shares that would result from conversion of outstanding options and warrants, since their conversion has anti-dilutive effect.

NOTE 22:—BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a. Balances with interested and related parties:

Composition:

As of December 31, 2017

	Key management personnel	Other interested and related parties
Other accounts payable	$ 55	$ 37

As of December 31, 2016

	Key management personnel	Other interested and related parties
Other accounts payable	$ 48	$ 75

U.S. dollars in thousands (except share and per share data)

NOTE 22:—BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

b. Benefits to interested and related parties:

	Year ended December 31,	
	2017	2016
Salary to those employed by the Company or on its behalf	$ 1,322	$ 1,137
Fees paid to directors not employed by the Company	$ 98	$ 137
Number of individuals to whom the salary and benefits relate:		
Related and interested parties employed by the Company or on its behalf	9	9
Directors not employed by the Company	7	9
	16	18

c. Benefits to key management personnel:

	Year ended December 31,	
	2017	2016
Short-term benefits	$ 42	$ 20
Share-based payment	$ 798	$ 377

d. Transactions with interested and related parties:

Year ended December 31, 2017

	Key management personnel*	Other interested and related parties
Research and development expenses	$ 947	$ —
General and administrative expenses	1,212	99
	$ 2,159	$ 99

U.S. dollars in thousands (except share and per share data)

NOTE 22:—BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

Year ended December 31, 2016

	Key management personnel(*)	Other interested and related parties
Research and development expenses	$ 743	$ —
Selling and marketing expenses	100	—
General and administrative expenses	691	137
	$ 1,534	$ 137

(*) Some of the key management personnel are interested parties by virtue of holdings.

e. On May 30, 2016, Dr. Guy Ezekiel, the former Chief Executive Officer ("CEO") and director of the Company ceased his role. As a result of forfeiture of options granted to Dr. Ezekiel in 2015, the cost of shares-base payment of $1,112 with respect to the forfeited options was recorded as income for the year ended December 31, 2016.

f. Mr. Yaacov Michlin commenced his role as the Company's CEO on April 1, 2017. On February 12, 2017, (the general shareholders meeting), his employment terms, including bonuses incremental to his monthly compensation were approved as follows: (1) an annual bonus based on the Company's remuneration policy according to the decision of the Company's Board of directors; (2) bonuses of NIS 1 million based on target achievements as outlined in his agreement. As of December 31, 2017, Company's management determined that it is more likely than not that these targets will not be achieved and accordingly, no expense was recognized.

In addition, upon commencement of his role, Mr. Michlin was granted 566,262 options to purchase Ordinary shares of the Company at an exercise price of NIS 19.97, representing 3.6% and 3.1% of the Company's issued and outstanding capital on a fully diluted basis as of January 5, 2017, the date on which the board of directors approved the employment terms, and December 31, 2017, respectively. The price was determined according to the average closing market price of the Ordinary share 30 days before the date of grant. The options vest over four years from the date of grant as outlined in the agreement.

For information regarding the fair value of the options granted to Mr. Michlin, see Note 19b.

g. On December 3, 2017, at the general shareholders meeting, the Company granted a director of the Company, Ms. Karen Sarid, 27,500 options to purchase Ordinary shares at an exercise price of NIS 21.37 per share.

For information regarding the fair value of the options granted to Ms. Sarid, see Note 19b.

NOTE 23:—EVENTS AFTER THE REPORTING PERIOD

a. On February 12, 2018, an amendment to the credit facility agreement with the bank, as stated in Note 13b above was signed according to which loans under the second facility may be withdrawn until March 15, 2019 (instead of until March 15, 2018) and the annual interest rate on each loan

NOTE 23:—EVENTS AFTER THE REPORTING PERIOD (Continued)

given in the framework of the second facility will be decreased to 3-months Libor plus 6%. The other terms of the first and second facility remain unchanged.

b. On February 22, 2018, Inc and Yeda signed an additional addendum to the agreement ("the fifth addendum") (See Note 17h), according to which Inc received the right to examine an additional invention based upon the patent issued in connection with research in the field of rotational field TMS owned by Yeda. Under the fifth addendum, the Company has the right to include the aforementioned invention and the intellectual property accompanying it under the Yeda license agreement. The right may be exercised until the earlier of December 31, 2018 or 30 days after completion of all the milestones agreed between the parties; however, in certain circumstances where the milestones were not completed by December 31, 2018, the date of expiry of the right may be extended to a date not later than June 30, 2019, unless otherwise agreed to by the parties. In respect of the performance of the milestones under the fifth addendum, in December 2017, the Company received the approval of the MAGNET committee of the IIA ("Magneton") for a development plan to be performed jointly with Yeda. The Company's approved budget for the development plan is NIS 1.1 million, of which 66% (approximately NIS 0.7 million) will be provided to the Company as a non-royalty bearing grant over the term of the plan.

If the Company exercises the right granted to it under the fifth addendum, royalties on net sales of products which are based on the use of the invention and know-how subject to the fifth addendum will be paid to Yeda at increased rates of 1.6%-2% in addition to the royalties described in Note 17h above and, in certain cases, at a flat rate of 2%. In respect of products under the fifth addendum that are not based on patents or research results for which the license was granted according to the original agreement (excluding the fifth addendum), royalties on net sales will be at the fixed rate of 5%.

c. During 2018 and until the date of the approval of the financial statements, 58,668 and 199,499 of options granted to officers who terminated employment at the Company in 2018 forfeited and expired, respectively.

d. Through November 1, 2018, Moach obtained from the IIA an approval for two grants for the development of the Company's system. The first grant was approved for funding the multi-channel stimulator development project at a rate of 50% of total budget, at a total of up to NIS 4 million subject to meeting certain criteria relating to the Company's activity in a development area. The second grant was approved for funding a closed-loop product development project (DTMS-EEG) at the rate of 60% of the project budget, at a total of up to NIS 1.1 million, subject to meeting certain criteria relating to the Company's activity in a development area.

e. On November 12, 2018, the Company's board of directors granted 110,000 options to purchase ordinary shares to directors, subject to the approval of the general shareholders meeting (scheduled for December 19, 2018), at an exercise price of NIS 23.41.

In addition, the board of the directors approved a grant of options to purchase ordinary shares of 348,000 and 550,000 to key management personnel and employees, respectively, at exercise prices of NIS 23.41-24.22.

NOTE 23:—EVENTS AFTER THE REPORTING PERIOD (Continued)

The options vest over four years: 1/12 of the number of options vest after 15 months of the date of grant and 1/12 of the number of options vest each subsequent three months. The options are exercisable over a period of eight years.

The total fair value of the options granted was determined using the Binomial model and amounted to approximately $2,800, including a fair value of approximately $1,100 related to options granted to director and key management personnel.

The inputs used for the fair value measurement of the options at the grant date: expected volatility of 43.08%-59.40%, risk-free interest rate of 0.12%-2.16%, share price of NIS 25.80, expected exercise factor of 2.8 and expected dividend yield of 0%.

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Shares

Brainsway Ltd.

Ordinary Shares

PROSPECTUS

Cantor

, 2018

Until and including , 25 days after the date of this prospectus, all dealers that buy, sell or trade our ordinary shares, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as underwriters and with respect to unsold allotments or subscriptions.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 6. Indemnification of Directors and Officers.

Under the Israeli Companies Law, a company may not exculpate an office holder from liability for a breach of a fiduciary duty. An Israeli company may exculpate an office holder in advance from liability to the company, in whole or in part, for damages caused to the company as a result of a breach of duty of care but only if a provision authorizing such exculpation is included in its articles of association. Our articles of association include such a provision. The company may not exculpate in advance a director from liability arising due to the breach of his or her duty or care in the event of a prohibited dividend or distribution to shareholders.

Under the Israeli Companies Law and the Israeli Securities Law, 5728-1968, or the Israeli Securities Law, a company may indemnify an office holder in respect of the following liabilities, payments and expenses incurred for acts performed by him as an office holder, either in advance of an event or following an event, provided its articles of association include a provision authorizing such indemnification:

- a monetary liability incurred by or imposed on the office holder in favor of another person pursuant to a court judgment, including pursuant to a settlement confirmed as judgment or arbitrator's decision approved by a competent court. However, if an undertaking to indemnify an office holder with respect to such liability is provided in advance, then such an undertaking must be limited to events which, in the opinion of the board of directors, can be foreseen based on the company's activities when the undertaking to indemnify is given, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and such undertaking shall detail the abovementioned foreseen events and amount or criteria;

- reasonable litigation expenses, including reasonable attorneys' fees, which were incurred by the office holder as a result of an investigation or proceeding filed against the office holder by an authority authorized to conduct such investigation or proceeding, provided that such investigation or proceeding was either (i) concluded without the filing of an indictment against such office holder and without the imposition on him of any monetary obligation in lieu of a criminal proceeding; (ii) concluded without the filing of an indictment against the office holder but with the imposition of a monetary obligation on the office holder in lieu of criminal proceedings for an offense that does not require proof of criminal intent; or (iii) in connection with a monetary sanction;

- a monetary liability imposed on the office holder in favor of all the injured parties by the breach in an Administrative Procedure (as defined below) as set forth in Section 52(54)(a)(1)(a) to the Israeli Securities Law;

- expenses expended by the office holder with respect to an Administrative Procedure under the Israeli Securities Law, including reasonable litigation expenses and reasonable attorneys' fees; and

- reasonable litigation expenses, including attorneys' fees, incurred by the office holder or which were imposed on the office holder by a court (i) in a proceeding instituted against him or her by the company, on its behalf, or by a third party, (ii) in connection with criminal indictment of which the office holder was acquitted, or (iii) in a criminal indictment which the office holder was convicted of an offense that does not require proof of criminal intent.

- any other obligation or expense in respect of which it is permitted or will be permitted under applicable law to indemnify an office holder, including, without limitation, matters referenced in Section 56H(b)(1) of the Israeli Securities Law.

An "Administrative Procedure" is defined as a procedure pursuant to chapters H3 (Monetary Sanction by the Israeli Securities Authority), H4 (Administrative Enforcement Procedures of the Administrative Enforcement Committee) or I1 (Arrangement to prevent Procedures or Interruption of procedures subject to conditions) to the Israeli Securities Law.

Under the Israeli Companies Law and the Israeli Securities Law, a company may insure an office holder against the following liabilities incurred for acts performed by him or her as an office holder if and to the extent provided in the company's articles of association:

- a breach of the duty of loyalty to the company, provided that the office holder acted in good faith and had a reasonable basis to believe that the act would not harm the company;
- a breach of duty of care to the company or to a third party, to the extent such a breach arises out of the negligent conduct of the office holder;
- a monetary liability imposed on the office holder in favor of a third party;
- a monetary liability imposed on the office holder in favor of an injured party at an Administrative Procedure pursuant to Section 52(54)(a)(1)(a) of the Israeli Securities Law; and
- expenses incurred by an office holder in connection with an Administrative Procedure, including reasonable litigation expenses and reasonable attorneys' fees.
- Under the Israeli Companies Law, a company may not indemnify, exculpate or insure an office holder against any of the following:
- a breach of the duty of loyalty, except for indemnification and insurance for a breach of the duty of loyalty to the company to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach of duty of care committed intentionally or recklessly, excluding a breach arising out of the negligent conduct of the office holder;
- an act or omission committed with intent to derive illegal personal benefit; or
- a fine or forfeit levied against the office holder.

Under the Israeli Companies Law, exculpation, indemnification and insurance of office holders in a public company must be approved by the compensation committee and the board of directors and, with respect to directors or controlling shareholders, their relatives and third parties in which controlling shareholders have a personal interest, also by the shareholders.

Our articles of association permit us to exculpate, indemnify and insure our office holders to the fullest extent permitted or to be permitted by law. Our office holders are currently covered by a directors' and officers' liability insurance policy. As of the date of this registration statement, no claims for directors' and officers' liability insurance have been filed under this policy and we are not aware of any pending or threatened litigation or proceeding involving any of our office holders, including our directors, in which indemnification is sought.

We have provided an undertaking to our directors and senior management to indemnify them for certain liabilities, subject to limited exceptions, to the extent that these liabilities are not covered by insurance. This indemnification is limited, with respect to any monetary liability imposed in favor of a third party, to events determined as foreseeable by the board of directors based on our activities. The maximum aggregate amount of indemnification that we may pay to our directors and senior

management based on such indemnification undertaking is $5 million (as may be increased from time to time by shareholders' approval). Such indemnification amounts are in addition to any insurance amounts. We intend to amend our indemnification undertakings to our directors and senior management prior to this offering to provide for indemnification to the fullest extent permitted by law. However, in the opinion of the SEC, indemnification of office holders for liabilities arising under the Securities Act is against public policy and therefore unenforceable.

Item 7. Recent Sales of Unregistered Securities.

On December 27, 2017, the Company issued 1,924,662 ordinary shares, constituting 11.57% of the issued share capital of the Company at the time of issuance, to a group of institutional and private investors led by The Phoenix Provident Funds, for consideration of NIS 29.9 million ($8.6), or NIS 15.55 ($4.49) per share.

On October 3, 2017, the Company issued a warrant to purchase 59,761 ordinary shares, with an exercise price of $5.02 per share for consideration of $0.3 million to Mizrahi-Tfahot Bank.

Since January 1, 2016, the Company granted options to purchase 1,601,762 ordinary shares, with a weighted average exercise price of $6.11 per share to employees and directors.

All of the foregoing issuances were made outside of the United States pursuant to Regulation S or to U.S. persons pursuant to an available exemption under Section 4(a)(2) of the Securities Act.

Item 8. Exhibits and Financial Statement Schedules.

(a) Exhibits. See the Exhibit Index attached to this registration statement, which is incorporated by reference herein.

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

Item 9. Undertakings

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

i. To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

ii. To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

iii. To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment 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.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) To file a post-effective amendment to the registration statement to include any financial statements required by Item 8.A. of Form 20-F at the start of any delayed offering or throughout a continuous offering. Financial statements and information otherwise required by Section 10(a)(3) of the Act need not be furnished, provided that the registrant includes in the prospectus, by means of a post-effective amendment, financial statements required pursuant to this paragraph (a)(4) and other information necessary to ensure that all other information in the prospectus is at least as current as the date of those financial statements. Notwithstanding the foregoing, with respect to registration statements on Form F-3, a post-effective amendment need not be filed to include financial statements and information required by Section 10(a)(3) of the Act or Item 8.A of Form 20-F if such financial statements and information are contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Form F-3.

(5) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

i. If the registrant is relying on Rule 430B:

A. Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

B. Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness of the date of the first contract or sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date and underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date; or

ii. If the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or

prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(6) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell securities to such purchaser:

i. Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

ii. Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

iii. The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

iv. Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(b) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(c) 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 provisions described in Item 6 hereof, 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.

(d) The undersigned registrant hereby undertakes that:

(1) That 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) That 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.

EXHIBIT INDEX

Exhibit No.	Description
1.1*	Form of Underwriting Agreement.
3.1	Articles of Association of the Registrant. ∞
4.1*	Form of Specimen Share Certificate.
5.1*	Opinion of Gross, Kleinhendler, Hodak, Halevy, Greenberg, Shenhav & Co., Israeli counsel to the Registrant, as to the validity of the ordinary shares.
10.1	Brainsway 2014 Share Incentive Plan.#
10.2*	Form of Indemnification Agreement.
10.3	Brainsway Compensation Policy.# ∞
10.4*	Employment Agreement, dated April 3, 2006, by and between Brain Research and Development Services Ltd. and Dr. Yiftach Roth, as amended by First Amendment to Employment Agreement, dated May 9, 2006.# ∞
10.5	Employment Agreement, dated January 8, 2017, between Brainsway Ltd. and Yaacov Michlin.# ∞
10.6	Employment Agreement, dated July 7, 2014, between Brain Research and Development Services, Ltd. and Hadar Levy.# ∞
10.7	Patent License Agreement, dated July 7, 2003, by and between Brainsway, Inc. and the United States Public Health Service.
10.8	Patent License Amendment, dated August 24, 2005, by and between Brainsway, Inc. and the United States Public Health Service.
10.9	Second Amendment to Patent License Agreement, dated April 17, 2008, by and between Brainsway, Inc. and the United States Public Health Service.
10.10	Research and License Agreement, dated June 2, 2005, by and between Brainsway, Inc. and Yeda Research and Development Company Ltd.
10.11	First Addendum Agreement, dated August 19, 2007, by and between Brainsway, Inc. and Yeda Research and Development Company Ltd.
10.12	Second Addendum Agreement, dated January 18, 2009, by and between Brainsway, Inc. and Yeda Research and Development Company Ltd.
10.13	Third Addendum Agreement, dated March 23, 2010, by and between Brainsway, Inc. and Yeda Research and Development Company Ltd.
10.14	Fourth Addendum Agreement, dated November 12, 2009, by and between Brainsway, Inc. and Yeda Research and Development Company Ltd.
10.15	First Amendment to Fourth Addendum Agreement, dated May 11, 2010, by and between Brainsway, Inc. and Yeda Research and Development Company Ltd.
10.16	Fifth Addendum Agreement, dated February 22, 2018, by and between Brainsway, Inc. and Yeda Research and Development Company Ltd. ∞
21.1	List of Subsidiaries.
23.1*	Consent of Kost Forer Gabbay & Kasierer, Member Firm of Ernst & Young Global.

Exhibit No.	Description
23.2*	Consent of Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co., Israeli counsel to the Registrant (included in Exhibit 5.1).
24.1*	Power of Attorney (included in the signature page of the Registration Statement).

* To be filed by amendment

∞ Informal English translation of the original Hebrew document

Indicates management contract or compensatory plan

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Jerusalem, State of Israel on , 2018.

Brainsway Ltd.

By: _____

Name: Yaacov Michlin
Title: Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints, jointly and severally, Yaacov Michlin, Hadar Levy and Menachem Klein, and each of them acting individually, as his attorney-in-fact, each with full power of substitution, for him in any and all capacities, to sign any and all amendments (including, without limitation, post-effective amendments and any related registration statements thereto filed pursuant to Rule 462 and otherwise) to this Registration Statement, with all exhibits and any and all documents required to be filed with respect thereto, with the Securities and Exchange Commission or any regulatory authority, granting unto such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in order to effectuate the same as fully to all intents and purposes as he or she might or could do if personally present, hereby ratifying and confirming all that such attorneys-in-fact and agents, or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof. This Power of Attorney may be signed in several counterparts.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities indicated on , 2018.

Signature	Title
_____ Yaacov Michlin	Chief Executive Officer and Director (principal executive officer)
_____ Hadar Levy	Chief Financial Officer (principal financial officer and principal accounting officer)
_____ David Zacut	Chairman of the Board
_____ Avner Hagai	Vice Chairman of the Board

Signature	Title
Daniel Azriel	Director
Gavriel Magen	Director
Eti Mitrany	Director
Yiftach Roth	Chief Scientist and Director
Karen Sarid	Director
Einat Tsafrir	Director

SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant's duly authorized representative has signed this registration statement on Form F-1 on this day of , 2018.

Brainsway USA, Inc.

By: _____

Name:
Title:

Exhibit 3.1

[UNOFFICIAL TRANSLATION INTO ENGLISH]

Articles of Association of Brainsway Limited

Preamble

1.

1.1. In these Articles of Association, save if the context requires otherwise -

"Man", "Person" or "Persons"	Including a corporation
"In Writing"	Handwritten, printed, on a typewriter, on a photocopy, telex, fax or in any other manner which is readable.
"Registered Shareholder"	Shareholder as per the definition of Article 177 (2) of the Law.
"Unregistered Shareholder"	Shareholder as per the definition of Article 177 (1) of the Law.
"The Company"	Brainsway Ltd.
"The Law" or "The Companies Law"	The Companies Law - 1999, as shall be from time to time and the Regulations issued thereunder.
"The Securities Law"	The Securities Law - 1968, as shall be from time to time and the Regulations thereunder, as issued from time to time.
"The Secretary"	The appointed Secretary of the Company.
"The Registry" or "The Registry of Shareholders"	The registry of shareholders of the company which must be maintained according to the Law.
"The Office" or "The Registered Office"	The office of the Company, whose address shall be registered with the Registrar of Companies, as shall be from time to time.
"The Ordinance" or "The Companies Ordinance"	The Companies Ordinance (new version) - 1983, as shall be from time to time, and regulations which shall be issued thereunder.
"Ordinary Majority"	Ordinary majority of all of the votes of the shareholders present in the general assembly or in the class assembly, as the case may be, entitled to vote and having voted, without taking into account abstensions.
"Year" or "Month"	Of the Gregorian calendar.
"Corporation"	Company, partnership, cooperative association, association and any other incorporated or unincorporated group of persons.
"These Articles" or "The Articles"	The Articles of Association in this document, as shall be amended from time to time.

1.2. For every term in these Articles which has not been defined above, the significance shall be that which is known in The Companies Law, save if this is contradictory to the matter which is written or its contents; the singular shall include the plural and vice versa and the masculine shall include the feminine.

1.3. The headings in these Articles are intended for convenience only and may not be used for interpretation of these Articles.

1.4. In every place where these Articles determine that its provisions shall apply subject to the Ordinance and/or The Companies Law and/or any Law, the intention is the provisions of the Ordinance and/or the provisions of The Companies Law and/or any Law, which may not be stipulated upon, save if the context requires otherwise.

1.5. The provisions which maybe stipulated upon in The Companies Law shall apply to the Company save if determine otherwise in these Articles and to such extent as there is no contradiction between them and the provisions of these Articles.

Name of the Company

2. The name of the Company is Brainsway Ltd.

Limitation of Liability

3. Limited liability

3.1. The liability of a shareholder for the debts of the Company is limited to the discharge of the amount (including premium) at which shares were alloted to him but not less than of nominal value of the shares allotted to him, save if shares were allotted to him at law for a consideration which is lower than their nominal value, in which case his liability is limited to the discharge of the consideration for which the share was allotted to him.

3.2. The Company is not entitled to change the liability of a shareholder or to obligate a shareholder to purchase additional shares without his consents.

Purposes of the Company

4. The purposes for which the Company was established:

4.1. Research, development, marketing and sales of medical devices for the treatment of the human brain.

4.2. To engage in any matter or issue or subject which is legally permissible, at the discretion of the directors and the business managers of the Company.

Contributions

5. The Company is entitled to contribute reasonable amounts to worthy causes, even if the contribution is not in a framework of the business considerations of the Company. The Board of Directors is authorized to determine, at its discretion, the amount of the contribution, the purposes for which it is made, the identity of the recipient and every other condition in this context.

The Registered Office

6. The registered office of the Company shall be at the address determined by the Board of Directors, and shall change from time to time.

The Articles of Association

7. The Company shall be entitled to change these Articles by resolution of the general assembly by ordinary majority.

8. A resolution passed by the general assembly with the majority required for changing of the Articles, as stated in Clause 7 above, which changes any of the provisions of these Articles, shall be deemed a resolution for the alteration of these Articles, even if this was not indicated expressly in the resolution.

9. Subject to provisions of The Companies Law, changes to these Articles shall be valid from the date of a passage of a resolution by the Company or another date determined in the resolution.

Registered Share Capital

10. The registered share capital of the Company is NIS 1,000,000 divided into 25,000,000 ordinary shares of the nominal value of NIS 0.04 each (hereinafter-**the ordinary shares**). The Company is entitled to change the registered share capital subject to the provisions of The Companies Law and these Articles.

The Shares

11. Each ordinary share in the capital of the Company shall have equal rights, for all intents and purposes, to every other ordinary share, including the rights to dividend, bonus shares and participation in distribution of surplus assets of the Company upon liquidation, proportionally to the nominal value of each share, without taking into account any premium paid thereupon, and all subject to the provisions of these Articles.

12. Each one of the ordinary shares entitles its owner to participate in the general assembly of the Company and to one vote.

13.

13.1. A shareholder in the Company is the party registered as the shareholder in the registry of shareholders or whomever a share is registered in his favor with a stock exchange member, and such share is included in the registered shares in the registry of shareholders of the Company in the name of a company for registration.

A shareholder who is a trustee will report thereupon to the Company, and the Company shall record him in the registry of shareholders, with indication of his trust, and he shall be viewed for purposes of The Companies Law as a shareholder. Without detracting from that stated above, and subject to the provisions of the Articles of the Company, the Company shall recognize a trustee as stated, as a shareholder for all intends and purposes, and shall not recognize some other person, including the beneficiary, as the holder of any rights in the share. Without detracting from that stated above, and subject to the provisions of the Articles of the Company, with the exception of shareholders of the Company as stated, no person shall be recognized by the Company as having any rights in a share and the Company shall not be bound and shall not recognize any benefits under the laws of equity or in the relations of trust or in a proper right, future or partial, in any share or benefit whatsoever in a fractional share or in any other right with regards to a share, rather solely and exclusively the right of the shareholder as stated above, in the share in its entirety, and all save if a competent court has directed otherwise.

13.2. Without detracting from that stated above, and subject to the provisions of these Articles, with the exception of shareholders of the Company as stated in Clause 13.1 above, no person shall be recognized by the Company as having any right in a share and the Company shall not be bound and shall not recognize any benefits under the laws of equity or the relations of trust or a proper right, future or partial, in any share or benefits, in a fractional share or any other right with regard to a share, but rather solely and exclusively the right of the shareholder as stated in Clause 13.1 above, in a share in its entirety and all save if a competent court has directed otherwise.

Share Certificates

14. The certificates testifying to the right of ownership in the shares shall bear the stamp of the Company and the signatures of one director together with the CEO of the Company or together with the Secretary of the Company or the signatures of any two persons who were appointed for this purpose by the Board of Directors.

The Board of Directors is entitled to decide that a signature or stamp as stated shall be carried out mechanically, as shall be determined by the Board of Directors.

15. Unless the terms of the issue of shares determine otherwise:

15.1. Every registered shareholder is entitled to receive from the Company at his request within a period of two months after the allotment, or registration of the transfer, as the case may be, one certificate testifying to his ownership in shares which are registered in his name or, at the consent of the Company, a number of certificates as stated.

15.2. A registration Company is entitled to receive from the Company, at its request, within a period of two months after the allotment, or the registration of the transfer, as the case may be, one certificate testifying to the number of shares and the type of shares registered in its name at the registry of shareholders.

16. Subject to the provisions of The Companies Law, in each certificate shall be specified the number of shares in respect of which it was issued, their serial numbers and their nominal value.

17. A certificate referring to a share registered in the name of two or more persons, shall be delivered to whomever shall appear first in the registry of shareholders with regard to such share, save if all of the shareholders registered upon such share shall direct the Company in writing, to deliver it to some other registered owner.

18. In the event that a share certificate shall be defaced, ruined, lost or harmed, the Board of Directors is entitled to direct its cancellation and the issue of a new certificate in its stead. This, provided that the share certificate was produced to the Company and destroyed by it, or it was proven to the satisfaction of the Board of Directors that the certificate was lost or destroyed and the Company received a guarantee to the satisfaction of the Board of Directors in respect of any possible damage. A reasonable amount as shall be determined by the Board of Directors from time to time shall be paid for every share certificate issued under this clause.

Payment for Shares

19. All of these shares in the issued capital of the Company, shall be shares which were discharged in full.

20. **Canceled.**

Transfer of Shares

21. Every transfer of shares which are registered in the registry of shareholders in the name of the registered shareholder, including a transfer by a company for registration or to it, shall be in writing and provided that the Deed of Transfer shall be signed by hand only, by the transferor and by the transferee, by themselves or by their legal representatives, and by witnesses to their signature, and shall be delivered to the registered office or to any other place determined by the Board of Directors for this. Subject to the provisions of The Companies Law, the transfer of shares shall not be recorded in the registry of shareholders save after a Deed of Transfer has been delivered to the Company as stated above: The transferor shall continue to be deemed the owner of the transferred shares until the registration of the transferee as the owner of the transferred shares in the registry of shareholders.

The registry of shareholders shall constitute prima facie evidence to the veracity of its content. In an instance of contradiction between that recorded in the registry of

shareholders and between a share certificate, the evidentiary value of the Registry of Shareholders is superior to the evidentiary value of the share certificate.

22. The Share Transfer Deed will be made in writing, in the form customary in Israel or in any other form approved by the Board of Directors. To such extent as the transferor or the transferee is a corporation, a confirmation by an attorney or an accountant or some other person whose identity is acceptable to the Board of Directors shall be given regarding the authority of the signatories in the name of the corporation to carry out or to receive the transfer, as the case may be.

23. The Company is entitled to close the Registry of Shareholders for a period of time determined by the Board of Directors and provided that it shall not exceed, in total, 30 days each year. When the registry is closed, transfer of shares shall not be recorded in the registry. Without the detracting from that stated above, the Board of Directors is entitled to determine a determining date with regard to the right to vote in a general assembly, or to receive payment of dividend or allotment of rights whatsoever or for any other legal purpose.

24. Subject to the provisions of these Articles or the terms of the issue of shares of any type, shared transfer shall be possible without the need for Board of Directors approval.

25. Every transfer deed shall be submitted to the office or to any other place as shall be determined by the Board of Directors, for registration, together with the certificates of the shares to be transferred, if these were issued, and all other proof required by the Board of Directors regarding the right of ownership of the transferor or his right to transfer the shares. The transfer deeds which shall be recorded shall remain with the Company; however, any transfer deed which the Board of Directors refused to record will be returned to the party who submitted it, at its request.

26. In the event that the Board of Directors refuses to approve the transfer of shares, it shall notify the transferor no later than one month from the date of receiving of the transfer deed.

27. The Company shall be entitled to collect payment for recording of the transfer, in an amount determined by the Board of Directors, from time to time, and which shall be reasonable in the circumstances of the matter.

28.

28.1 Subject to the provisions of The Companies Law and these Articles. If it was proven to the Company to the satisfaction of the Board of Directors in a manner determined by it, that the conditions required at Law were fulfilled for the assignment of the rights in the shares which are registered in the registry in the name of a registered shareholder, the Company shall recognize the assignee, and him alone, as the holder of the rights in the shares as mentioned.

28.2 Notwithstanding that stated above, in an instance of the death of one or more of the registered joint owners of shares registered in their name in the registry, the Company shall recognize the registered owners who remain alive, solely, as the holders of ownership rights in such shares.

29.

29.1 Subject to the provisions of these Articles, the Company shall change the registration of ownership in the shares in the Registry of Shareholders upon receipt of an order of a court to amend the registry or if it was proven to the Company, to the satisfaction of the Board of Directors and in a manner determined by it, that the conditions at Law for the assignment of the rights in the shares were fulfilled, and the Company shall not recognize any right of a person in the shares, prior to the proof of his right, as stated above.

29.2 Without detracting from that stated above, the Board of Directors is entitled to refuse to perform the registration or to delay it, as it shall be entitled to do, in the event that the registered owner himself shall have transferred the shares prior to the assignment of the right.

30. Subject to the provisions of The Companies Law and these Articles, a person who became entitled to a share as stated in Clause 28 above, shall be entitled to carry out a transfer of the shares similar to the right to do so of the registered owner, himself, prior to the assignment of the right.

31. The Company is entitled to destroy a share transfer deed at the expiry of seven years from the date of the recording in the registry, and to destroy Certificate of Shares which were canceled, at the expiry of seven years from the date of their cancellation, and a prima facie presumption shall exist that any deed of transfer and certificates which was destroyed as mentioned, was fully valid and that the transfers, cancellations and registrations as the case may be were carried out at Law.

Changes in the Capital

32. The Company is entitled, in a resolution passed by the general assembly, in an ordinary majority, to increase the registered share capital of the Company and/or to create additional classes of shares in the capital of the Company, and all as it shall determine.

33. Subject to the provisions of The Companies Law, the Company is entitled, in a resolution passed by the general assembly in an ordinary majority:

33.1 To merge its shares, in whole or in part, and to divide them to shares with higher nominal values than the nominal value of the existing shares.

33.2 To divide its shares, in whole or in part, a secondary division, to shares with lower nominal values than the nominal value of the existing shares.

33.3 To reduce the capital of the Company and any principal reserved for redemption of capital.

For purposes of performance of such resolution as stated, the Board of Directors is entitled to resolve, at its discretion, any difficulty which shall arise in connection therewith.

34. Without detracting from the generality of the authorities of the Board of Directors as stated above, if as a result of the merger or division as stated above, there shall remain fractional shares in the hands of shareholders, the Board of Directors is entitled at its discretion to act as follows:

34.1 To determine that fractional shares which shall not accord the owners thereof an entire share, shall be sold by the Company and the proceeds from the sale shall be paid to those entitled under terms and in a manner as determined.

34.2 To allot to each of the owners of the shares whose merger and/or division shall leave them with a fractional share, shares of a class of shares which existed in the capital of the Company prior to the merger and/or division, in such number that the merger thereof with the fraction shall create one whole share, and such allotment shall be deemed valid immediately prior to the merger or division, as the case may be.

34.3 To determine the manner of payment of the amounts which must be paid for the shares which were allotted as stated in Clause 34.2 above, including the manner in which the discharge of the amounts shall be possible on account of bonus shares.

34.4 To determine that the owners of the fractional shares shall not be entitled to receive a whole share in respect of the fraction of a share.

34.5 To determine that the owners of the shares shall not be entitled to receive a whole share in respect of a fraction of a whole share with a certain or lower nominal value and shall be entitled to receive a whole share in respect of the fraction of a whole share with a nominal value which is higher than the stated nominal value.

35. The Company is entitled by resolution of the general assembly by ordinary majority, to cancel registered share capital which has not yet been allotted, and provided that the Company has not undertaken, including a conditional undertaking, to allot the shares.

Change in Rights

36. At any time, when the share capital shall be divided into different classes, the Company shall be entitled by resolution of the general assembly by ordinary majority, save if the conditions of the issue of the shares of such class stipulate otherwise, to cancel, to convert, to expand, to add, to reduce, to amend or to change in some other manner the rights of the class of shares of the Company, and provided that consent for this was received in writing of all of the holders of the shares of such class or the resolution was

passed in the general assembly of shareholders of such class by ordinary majority, or in an instance where it was stipulated otherwise in the terms of the issue of the certain class of shares of the Company, as was stipulated in the terms of the issue of such class.

37. The provisions determined in these Articles with regard to the general assembly shall apply mutatis mutandis, to every class assembly and provided that the legal quorum in a class assembly will be present when there shall be present at the opening of the assembly, themselves or by proxy, at least two shareholders who own at least 25% of the number of shares issued of such class. However, if there was not a legal quorum as stated, the class assembly shall be postponed to a later date and in the postponed assembly, a legal quorum shall be fulfilled by any number of participants, regardless of the number of shares they own.

38. The rights accorded to the shareholders or the owners of such class of shares which were issued in respect of ordinary rights and in respect of preferred rights or some other special rights, shall not be deemed for purposes of Clause 36 above as though they were converted, reduced, prejudiced or changed in some other manner by the creation and/or issue of additional shares of any class, whether they are equivalent to them or of a different or preferred class, and shall not be deemed for purposes of the aforementioned clause as though they were converted, reduced, prejudiced or otherwise changed, by a change in the rights attached to shares of any other class, and all save if stipulated otherwise explicitly in the terms of the issue of such shares.

39. **Issue of shares and other securities.**

39.1. The Board of Directors is entitled to issue or allot shares and other securities, which are convertible or may be exercised into shares, up to the limit of the registered share capital of the Company. For this matter, securities which are convertible or may be converted or exercised into shares shall be viewed as though they were exercised or converted at the date of their issue. Without detracting from the generality of that stated above, the Board of Directors shall be entitled to issue the shares and other securities as stated above, to grant rights of choice for their purchase, including options, or to grant them in some other manner, and all to persons who were determined by it and at the time and the prices and terms as determined by it, and to determine any other provision related to this, and including provisions regarding the manner of distribution of the shares and securities which shall be issued by the Company, between the purchasers thereof, including an instances of oversubscription, and all at the discretion of the Board of Directors.

39.2. The authorities of the Board of Directors as specified in Clause 39.1 above may be delegated as specified in paragraphs (1) or (2) -

(1) To a Board of Directors committee - in the issue or allotment of securities in the framework of an employee remuneration scheme or agreements of employment or wage between the Company and its employees or between the Company and employees of an associated Company whose Board of Directors has agreed to this in advance, and

provided that the issue or allotment shall be in accordance with a program which includes specific covenants which were issued and approved by the Board of Directors.

(2) A Board of Directors committee, the CEO or the holder of such position (in this clause - CEO) or some other person who the CEO has recommended - in the issue of shares subsequent to exercise or conversion of securities of the Company.

40. Without detracting from the generality of that stated above and subject to the provisions of The Companies Law and these Articles, the Board of Directors is entitled to determine that the consideration for the shares shall be paid in cash or in kind and including in securities or any other manner, at its discretion, or that the shares shall be allotted as bonus shares or that the shares shall be allotted for consideration equal to their nominal value or higher than it, whether individually or in series, and all under terms and dates as determined by the Board of Directors at its discretion.

41. In a decision to increase the registered share capital of the Company, the general assembly may determine that the new shares included in the amounts by which the registered share capital was increased as stated (here and after: "**the new shares**") or any part thereof, will be offered initially at their nominal value or for an added premium, to all of the shareholders holder who hold shares at such times, at a rate proportional to the nominal value of their shares in the Company or to determine other provisions for the manner of the issue and allotment of the new shares. However, in the event that the general assembly has not determined as stated in the decision to increase the registered share capital of the Company, the Board of Directors may offer them as stated in Clause 39 above.

42. The Board of Directors is entitled to resolve to pay commissions or underwriting fees to any person in consideration for subscription or agreement to subscription or the obtaining of subscriptions or the promise of subscriptions upon shares, or bonds or other securities of the Company. The Board of Directors may also, in any event of the issue of securities of the Company, resolve to pay intermediary commissions, in cash, in Company shares or other securities which were issued by the Company or in any other manner or partly in one manner and partly in another, and all subject to the provisions of applicable Law.

Redeemable Securities

43. Subject to the provisions of The Companies Law, the Company is entitled to issue securities which may be redeemed at terms and in a manner determined by the Board of Directors at its discretion.

Registries

44.

44.1 The Company shall conduct a registry of the shareholders and shall record in it the names of the owners of the shares and the additional details required under The Companies Law,

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immediately after the issue of any shares of the Company. Subject to the provisions of the Law, upon the registration in the registry, a registered shareholder shall be deemed the owner of the shares registered in his name, and even if share certificates were not issued in respect of these shares.

44.2 The Company shall conduct a registry of substantial shareholders as required by The Companies Law.

45. The Company is entitled to conduct an additional registry of shareholders outside of Israel under terms as determined for this matter in The Companies Law.

46. The Company shall conduct a registry of the holders of bonds and securities which may be converted into shares of the Company and all of the provisions of these Articles in connection with shares shall apply also to these convertible securities with regard to the registration in the registry, the issue of certificates, the replacement of certificates, transfer and assignment, mutatis mutandis as the case may be, and all subject to the terms of the issue of the securities.

General Assembly

47. Resolutions of the Company in the following matters shall be passed by the general assembly:

47.1 Changes to the Articles of the Company or its Memorandum.

47.2 Implementation of the authorities of the Board of Directors by the general assembly if the Board of Directors is precluded from implementing its authorities and the implementation of any of its authorities is crucial for the proper conduct of the Company, as stated in Article 52(A) of The Companies Law.

47.3 The appointment of an auditing accountant for the Company and the cessation of his employment.

47.4 The appointment of directors for the Company and their dismissal.

47.5 Approval of actions and transactions requiring the approval of the general assembly under the provisions of Articles 255 and 268 to 275 of The Companies Law.

47.6 Increase of the registered share capital and its decrease in accordance with the provisions of Articles 286 and 287 of The Companies Law and changes in the capital as stated in Clause 33 above.

47.7 Merger as stated in Article 320(A) of The Companies Law.

47.8 Any resolution which must be passed in accordance with these Articles, by the general assembly.

Subject to the provisions of The Companies Law, the general assembly is entitled to undertake authorities given to some other organ, and if the general assembly has undertaken the authorities of the Board of Directors of the Company, the shareholders will be liable and responsible for the liabilities and duties of the directors, as stated in Article 50(b) of The Companies Law.

48. The Company will conduct an annual general assembly every year and not later than the expiry of 15 months from the previous annual assembly, at the date and time as determined by the Board of Directors.

49. The agenda of the annual general assembly shall include the following items:

49.1 Discussion of the financial reports of the Company and the Board of Directors report on the state of affairs of the Company which are submitted to the general assembly.

49.2 Appointment of directors and determination of their wages.

49.3 Appointment of an auditing accountant.

49.4 Reporting by the Board of Directors upon the wage of the auditing accountant for the auditing activity and for the additional services, if any.

49.5 In addition to that stated above, the agenda of the annual assembly may include any other matter which was determined in the agenda as stated in Clause 52 below.

The general assembly as stated above shall be called **“an annual assembly”** and any other general assembly shall be called **“a special assembly”.**

50. The Board of Directors of the Company will convene a special assembly in accordance with its resolution and in accordance with the demand of any of the following:

50.1 Two directors or one-quarter of the serving directors.

50.2 A shareholder, one or more, with at least 5% of the issued share capital and 1% of the voting rights in the Company, or one or more shareholder with at least 5% of the voting rights in the Company.

In the event that the Board of Directors was required to convene a special assembly as stated above, it shall be convened within 21 days from the date upon which the demand was submitted to it, at a date determined in the notice upon the special assembly as stated in Clause 54.1 below and provided that the date of the assembly shall be not later than 35 days from the date of the publishing of the notice and all subject to the provisions of The Companies Law and Clause 53.1 below.

51. In the event that the Board of Directors fails to summon a special assembly as requested under Clause 50 above, the requesting party is entitled, and when one is speaking of shareholders-also part of them who have more than half of their voting rights, to convene the assembly itself, and provided that it shall not take place more than three months from the date of submission of the request as stated, and shall be convened, to such extent as possible, in the same manner as assemblies are convened by the Board of Directors.

52.

52.1 The agenda of the general assembly shall be determined by the Board of Directors and shall include the matters for which the convening of the special assembly under Clause 50 above was requested as well as a subject requested as stated in Clause 52.2 below.

52.2 One or more shareholders with at least 1% of the voting rights in the general assembly may request the Board of Directors to include a subject in the agenda of the general assembly which shall be convened in the future, and provided that the subject is appropriate for deliberation in the general assembly.

52.3 A request as stated in Clause 52.2 above will be submitted to the Company in writing not less than 10 days from the date of notice of the convening of the general assembly and a text of the resolution which is proposed by the shareholder shall be attached to it.

53.

53.1 Notice of the general assembly shall be published in two daily papers at least, with broad distribution which are published in the Hebrew language. The notice will be published in accordance with the requirements of the Law at least 14 days prior to the convening of the assembly with the exception of notice of a general assembly with an agenda which includes the items specified in Article 87 of The Companies Law, which shall be published 35 days at least prior to its convening.

53.2 In addition to the notice upon the general assembly as stated in Clause 53.1 above, the Company will deliver notice upon the general assembly only to shareholders who are registered in the registry whose address is in Israel.

54.

54.1 In the notice upon the general assembly there shall be specified the place, the date and the time at which the general assembly shall be convened and it shall include the agenda, a synopsis of the proposed resolutions, the required majority for the resolutions, the date of determination of the rights of all of the shareholders to vote in the general assembly and any other detail required at law. In the event that the Company shall determine that a postponed assembly shall be held at a date which is later than that determined in Article 78(b) of the Law, it shall indicate the date as mentioned in the notice.

54.2 In a decision regarding the convening of an assembly, the Board of Directors is entitled to determine the manner of the detailing of these issues on the agenda for the assembly, which will be delivered to such shareholders entitled to participate in the assembly, and all at the discretion of the Board of Directors and subject to the provisions of The Companies Law.

54.3 Without detracting from the authorities of the Board of Directors as stated in this Clause 54 above, and without detracting from a generality of the provisions of these Articles with regard to the transfer of the authorities by the Board of Directors, the Board of Directors will be entitled to transfer its authorities as stated in this Clause 54 above, to a Board of Directors committee and/or an officer in the Company, whether for the purpose of a certain general assembly or for a period of time.

55. A good faith defect in the convening of a general assembly or its conduct, including a defect arising from non-fulfillment of a provision or condition determined in the Law or in these Articles, including with regard to the manner of the convening of the general assembly or its conduct, shall not invalidate any resolution passed in the general assembly and shall not prejudice the deliberations conducted therein, subject to the provisions of any Law.

Deliberations in the General Assembly

56. No deliberations may be commenced at the general assembly unless a legal quorum is present at the opening of the assembly. A legal quorum will be constituted when there are present, themselves or by proxy, a shareholder or shareholders who have at least one-third of the voting rights, within one-half of an hour from the time determined for the opening of the assembly, save if determined otherwise in these Articles.

57. In the absence of a legal quorum at the general assembly at the expiry of half of an hour from a time determined for commencement of the assembly (or the expiry of some other time as determined by the Chairman of the assembly, but in any event no more than one hour), the assembly shall be postponed for seven days, for the same date at the same hour and in the same place, without the requirement to notify the shareholders thereupon and subject to the provisions of The Companies Law, the Securities Law and the Regulations promulgated under these laws, or some later date if indicated in the notice upon the assembly, or a date, hour and place which are different, as determined by the Board of Directors in the notice to the shareholders.

58. A legal quorum for a postponed assembly shall be constituted when there are present, themselves or by proxy, one or more shareholders who have at least one-third of the voting rights, within half of an hour from the time determined for the opening of the assembly. In the absence of a legal quorum at the postponed assembly at the expiry of half of an hour from the time determined for commencement of the postponed assembly, any two shareholders present at the postponed assembly, themselves or by proxy, shall constitute legal quorum at the postponed assembly.

59. The Chairman of the Board of Directors or, in his absence, any director appointed by the Board of Directors, will chair every general assembly of the Company. In the absence of a chairman as stated or if at some assembly none of these are present after the passage of 15 minutes from the time determined for commencement of the assembly or if they refuse to serve as Chairman of the assembly, the directors which are present may, by majority between them, elect a chairman from amongst them or from any of the officers in the Company present at the assembly, and if they fail to do so-the shareholders present will elect themselves or by proxy one of the directors or one of the officers present to chair the assembly. In the absence of directors or officers or if all of the directors or officers refuse to chair the assembly, one of the shareholders or their proxy as stated shall be elected to chair the assembly.

60. The Company shall maintain minutes of the proceedings in the general assembly which shall include the following details:

60.1 The names of the shareholders participating in the general assembly and the number of shares held by them.

60.2 The matters discussed at the general assembly and the resolution is passed.

61. Minutes which are signed by the chairman of the general assembly constitute prima facie evidence to their content.

Voting and the Passage of Resolutions at the General Assembly

62. A shareholder wishing to vote at the general assembly shall prove to the company his ownership in a share as required by The Companies Law and the Companies Ordinance (proof of ownership of share for a purpose of voting at general assembly) — 2000. Without the detracting from the generality of that stated above, the Board of Directors is entitled to determine provisions and procedures regarding the proof of ownership of shares in the company.

63. A shareholder is entitled to vote in the general assembly or in a class assembly, himself or by proxy, all in accordance with the provisions of these Articles and subject to the provisions of The Companies Law. A proxy for a vote is not required to be a shareholder in the company. Voting in the general assembly of the Company by means of a voting deed, in accordance with the provisions of The Companies Law and the regulations there under, will be possible solely and exclusively on issues specified in Articles 87A(1) – 87A(3) and 87A(5), of The Companies Law.

64. Subject to the provisions of applicable Law, in an instance of joint ownership in a share, any one of them may vote at any assembly, whether himself or by proxy, in relation to such share, as though he was the sole party entitled to it. If more than one joint owner of a share participates in an assembly, himself or by proxy, the vote will be made by the party whose name appears first in the registry of shareholders with regard to the share or in the confirmation of the stock exchange member with regard to the ownership in the

share **("confirmation of ownership"),** or some other document determined by the Board of Directors for such matter, as the case maybe. Individual legal guardians or individual executors of estate over a registered shareholder who is deceased, shall be considered for purposes of this clause as joint owners in these shares. Without the detracting from that stated above, in an instance where more than one shareholder is registered in the registry of shareholders of the Company as the holder of a share, the Company shall view the first person registered in the registry of shareholders as the legal representative of the remaining parties registered as holding the share, save if a document was delivered to the company, signed by the majority of the registered owners of the share, or a court order, indicating the name of some other registered owner as the representative of the holders of the share.

65. Every party entitled to a share under clause 28 above, is entitled to vote by virtue thereof in any general assembly in the same manner as though he was the registered owner of such shares and provided that he shall prove to the satisfaction of the Board of Directors his entitlement to the share at least 48 hours prior to the date of the general assembly or the postponed assembly, as the case maybe, in which he intends to vote, save if the Company has previously recognized his right to vote by virtue of the shares at such assembly.

66. A document appointing a proxy for a vote **("deed of appointment")** shall be made in writing and shall be signed by the appointing party, and if the appointing party is a corporation, the deed of an appointment shall be made in writing and shall be signed in a manner binding the corporation. The Board of Directors is entitled to require delivery to the Company prior to the convening of the assembly, of a confirmation in writing, to the satisfaction of the Board of Directors, regarding the authority of the signatories to bind the corporation. The Board of Directors is further entitled to determine provisions and procedures in everything related thereto.

66. A deed of appointment or a suitable copy thereof, to the satisfaction of the Board of Directors, will be deposited at the registered office or some other place or places, in Israel or outside of Israel - as shall be determined by the Board of Directors from time to time, generally or for a specific instance - at least 48 hours prior to commencement of the assembly or the postponed assembly, as the case maybe, in which the proxy intends to vote in reliance upon such deed of appointment. Notwithstanding, that stated above, the chairman of the assembly may, at his discretion, accept such deed of appointment also after the time as stated, if he deems this appropriate, at his discretion. If a deed of appointment shall not be received as stated in this clause above, it shall not be valid in such assembly.

67. A proxy for a vote is entitled to participate in deliberations of the general assembly and to be elected as a chairman as was the shareholder appointing him, and provided that it was not indicated otherwise in the deed of appointment.

67.1. A deed of appointment appointing a proxy for vote shall be in the format customary in Israel or in any other format approved by the Board of Directors.

67.2. The deed of appointment will indicate the class and the number of shares in respect of which it was issued. In the absence of indication in the deed of appointment of the number of shares in respect of which it was issued or an indication therein of a number of shares which is higher than the number of shares registered in the name of the shareholder or which are indicated in the confirmation of ownership, as the case maybe, the deed of appointment will be deemed to have been issued in respect of all of the shares of the shareholder.

67.3. In the event that the deed of appointment was issued in respect of a number of shares which is lower than the number of shares registered in the name of the shareholder or indicated in the confirmation of ownership, as the case maybe, the shareholder will be deemed as refraining from appearing at the vote in respect of the balance of the shares and the deed of appointment will be valid in respect of number of shares indicated therein.

68. Without detracting from the provisions of these Articles with regard to the appointment of a proxy for a vote, a shareholder holding more than one share will be entitled to appoint more than one proxy subject to the following provisions:

68.1. Each deed of appointment will indicate the class and the number of shares in respect of which it was issued.

68.2. In the event that the total number of shares of any class indicated in deeds of appointment issued by one shareholder shall exceed the number of shares of such class registered in his name or indicated in the confirmation of ownership, as the case maybe, all the deeds of appointment issued by such shareholder shall be invalidated.

69. A shareholder or a proxy is entitled to vote a part of the shares which are owned by him or for which he is a proxy, and is entitled to vote part of the shares in one manner and part of the shares in another manner.

70. A vote made by virtue of a deed of appointment shall be valid even if prior to the vote the appointing party passed away or was declared incompetent or the deed of appointment was canceled or the share was transferred in respect of which the deed of appointment was granted, save if notice was received at the office prior to the assembly, in writing, with regard to the death, incapacity, cancellation or transfer, as the case may be. Notwithstanding that stated above, the chairman of the assembly is entitled, at his discretion, to receive such notice as stated also during the course of the assembly, if he deems this appropriate at his discretion.

71. A deed of appointment shall be valid also with regard to any postponed assembly or an assembly to which the deed of appointment relates, and provided that it was not indicated otherwise in the deed of appointment.

72. Every ordinary share entitles its owner to participate in the general assembly of the Company and to one vote.

73. A resolution proposed for a vote in the general assembly shall be decided by a count of the participating votes. The manner of the counting of the votes will be determined by the chairman of the Board of Directors, unless prior to the vote, a secret ballot was requested by a shareholder or holders with at least 10% of the issued share capital of the Company. In a case of a dispute whether to accept or reject any individual vote in the vote, the chairman of the assembly shall determine the matter and his good faith decision shall be final and decisive.

74. A declaration made by the chairman that a resolution was passed or rejected at the general assembly, unanimously or by some majority, and the declaration was recorded in this matter in the minutes of the assembly, shall be prima facie evidence to that stated, and it shall not be necessary to prove the number of votes (or their proportional share) which were made in favor or against such resolution.

75. Subject to the provisions of the Companies Law or the provisions of these Articles with regard to some other majority, decisions of the general assembly shall be passed by an ordinary majority. The chairman of the assembly shall not have an additional vote or a decisive vote.

76. The chairman of the general assembly is entitled, at the consent of an assembly in which a legal quorum is present, to postpone it or to postpone the deliberation or the passage of a resolution in some specific matter on the agenda, to a later time or a place which shall be determined, and he is required to do so in accordance with the demand of the assembly. At such, postponed assembly as stated, no matter will be deliberated which was not on the agenda and for which a resolution was not passed in the assembly at which the postponement was resolved upon. If the general assembly was postponed for

more than 21 days, notice will be issued upon the postponed assembly, as stated in Clauses 53 and 54 above. If the general assembly was postponed without changing its agenda, for a date not exceeding 21 days, the notices and summons with regard to the new date will be issued as early as possible, and not later than 72 hours prior to the general assembly. The notices and the summons as stated will be issued in accordance with Clauses 53 and 54 above, mutatis mutandis.

The Board of Directors

77. The number of directors shall not be less than four and shall not exceed nine (not including external directors and not including up to two additional directors who are industry experts in the field of operations of the Company.

77A. The industry expert directors in the field of activity of the Company will be appointed by the general assembly for a period starting on the date of their appointment and terminating at the following annual general assembly. The general assembly shall be entitled to renew the appointment of an industry expert director, whose term has lapsed as stated above.

78.

(A) The annual general assembly of the Company shall appoint, by ordinary majority, the members of the Board of Directors in accordance with the provisions below. A director is not required to be a shareholder in the Company. The provisions of this clause with regard to the appointment of directors shall not apply to external directors who will be appointed in the accordance with the provisions of the Companies Law.

(B) The annual general assembly shall be entitled to elect, in the manner and for the period set forth below in this clause, up to nine directors (with the exception of the external directors) who will be divided into three groups.

(C) In the annual general assembly which will be held in 2009, directors will be elected (whether current or new) for varying periods as follows:

1. Members of Group A, which shall include up to three directors elected to serve continuously until the first annual assembly after the date of their election, meaning in 2010.

2. Member of Group B shall be up to three directors who shall be elected to serve continuously until the second annual assembly after the date of their election, meaning in 2011.

3. Members of Group C shall be up to three directors who will be elected to serve until the third annual assembly after their election (hereinafter "**three-year period**"), meaning in 2012.

(D) In every annual assembly after the annual assembly in 2009, the general assembly may elect up to three directors for a three-year period, in the place of the directors whose term

has expired at such annual assembly, and the process repeats itself, such that directors elected in such manner will serve for a three-year period, when in each year the period of service of one group of directors shall terminate (whose service up until such date was the longest).

79. With the exception of directors who served in the Company up until the date of the annual assembly and/or parties upon whom the Board of Directors of the Company recommended their appointment as director before the general assembly, no director will be appointed at the annual assembly, unless a shareholder in the Company seeking to propose him as a candidate shall submit to the office at least 60 (sixty) days prior to the convening of the annual assembly, a document in writing signed by the shareholder notifying of the intent of the shareholder to propose the candidate for appointment as director, with the consent in writing of the candidate attached to this document to serve as a director together with his resume.

80. If the number of directors shall decrease to below the minimal number set in Clause 77 above, the Board of Directors shall be entitled to appoint an additional director/s for the Company, and this up to the minimal amount of directors determined in Clause 77 above.

81. The general assembly or the Board of Directors is entitled to determine that the service of a director appointed by them, as the case may be, shall commence at a later date from the date of the resolution upon his appointment.

82. Not withstanding that stated above, the general assembly is entitled at any time, by ordinary majority, to remove a director from his position, with the exception of an external director (regarding which there shall apply the provisions of the Companies Law) prior to the end of his period of service, and provided that the director is granted a reasonable opportunity to present his position before the general assembly. Any general assembly may, by ordinary majority, appoint in the stead of a director who was removed from his position as stated above, some other party as director, and provided that the recommendation of a shareholder was given as stated in Clause 79 above.

The position of a director shall be vacated automatically in any one of the following instances:

82.1. Resignation.

82.2. Declaration of bankruptcy.

82.3. Conviction of a crime as stated in Article 232 of the Law.

82.4. If the director is a corporation which has resolved voluntary liquidation, or an order for liquidation has been issued against it.

82.5. Per a decision of the court as stated in Article 233 of the Law.

82.6. Declaration of legal incompetency.

82.7. If his term was automatically terminated in accordance with the law.

82.8. Death.

83. If the position of the director is vacated, the Board of Directors may continue to operate in every matter so long as the number of directors is not less than the minimum number of directors determined in Clause 77 above. In the event of appointment of director by the Board of Directors as stated in Clause 80 above, the Board of Directors will act to convene a general assembly for the purpose of appointment of directors. A director appointed by the Board of Directors as stated shall complete his term at the date of the general assembly as stated or after 60 days from the date of his appointment by the Board of Directors - the earlier of these, however he shall be able to be appointed anew by the general assembly.

For so long as the general assembly was not convened, the Board of Directors shall not be entitled to act upon manners which may be postponed, up to the date of the convening of the general assembly for the appointment of the directors.

84. A director may resign by submission of notice to the Board of Directors, to the chairman of the Board of Directors or the Company, as required in the Companies Law. The resignation shall be valid on the date of the delivery of the notice. Unless the notice determines a later date. A director will provide the reasons for his resignation.

85. Subject to the provisions of the Companies Law, the Company is entitled to pay directors remuneration for fulfillment of their position as directors.

86.

86.1. A director may appoint an alternate (hereinafter: **"Alternate director"**). Notwithstanding that stated above, a party not eligible to be appointed as a director will not be appointed nor serve as an alternate director, nor shall a serving director in the Company or a serving alternate director.

A serving director may be appointed as an alternate director for a membership in a Board of Directors committee, and provided that at the date of appointment as an alternate director to a member of a committee, he does not serve as a member of such Board of Directors committee and if he is an alternate director to an external director, the candidate will be an external director with accounting and financial expertise or professional competency, in accordance with the competency of the director being replaced.

86.2. An alternate director shall be equivalent to the director whom he replaces, and shall be entitled to be present at members of the Board of Directors and/or committees of the Board of Directors, to participate and to vote therein as it was entitled to be director who

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appointed him. Notwithstanding that stated, the Company shall not pay remuneration to an alternate director.

86.3. A director who appointed an alternate director may, subject to the provisions of the law, cancel the appointment at any time. Additionally, the position of the alternate directors shall be vacated at any time when the position of the director who appointed the alternate director shall be vacated in any manner.

86.4. Any appointment or cancellation of an alternate director as stated above, will be by notice in writing delivered to the alternate director and to the Company, and will be valid after delivery of the deed of appointment, or deed of cancellation as stated or at the time determined in the deed of appointment or deed of cancellation, the later of these, and if a period was not determined in the deed of appointment, the period shall be congruent with the period of service of the appointing director.

External Directors

87. At least two external directors shall serve in the Company, and the provisions determined in the Companies Law shall apply in this matter.

Authorities of the Directors and their Duties

88. The directors shall have all of the authorities and the powers granted to them in accordance with these Articles, in accordance with the Companies Law and applicable law.

89. Without detracting from the provisions of these Articles, the Board of Directors shall direct the policies of the Company and shall oversee performance of the positions of the CEO and his activities, and including:

89.1. Shall determine the action plans of the Company, principles for the financing thereof and priorities among them.

89.2. Shall examine the financial state of the Company, determine the credit framework which the Company may take.

89.3. Shall determine the organizational structure and the wage policy.

89.4. May decide upon the issue of a series of bonds.

89.5. Is responsible for preparation and approval of financial reports as stated in Article 171 of the Companies Law.

89.6. Will report to the annual assembly upon the state of affairs of the Company and its business results as stated in Article 173 of the Companies Law.

89.7. Will appoint and dismiss the CEO.

89.8. Will decide upon actions and transactions requiring its approval under these Articles or the provisions of Articles 255 and 268 through 275 of the Companies Law.

89.9. May allot shares and securities convertible into shares up to the limit of the registered share capital of the Company.

89.10. May resolve upon distribution of dividend, interim dividend or distribution of bonus shares as the case may be.

89.11. May resolve upon a significant acquisition as per the definition of this term in Article 1 of the Companies Law, from all of the shareholders of the Company or part thereof or any of them, at its discretion.

89.12. Will express its opinion upon a special purchase offer as stated in Article 328 of the Companies Law.

89.13. Will determine the minimum number of directors required in the Board of Directors, who must have financing and accounting expertise, as per the definition thereof under Article 240 of the Companies Law. The Board of Directors will determine the minimum number as stated taking into account, inter alia, the type of Company, its size, the scope of activity and complexity of operations, subject to the number of directors determined under Clause 77 above.

The authorities of the Board of Directors under this clause may not be delegated to the CEO, save as specified in Clause 39.2(2).

90. The Board of Directors may exercise any authority of the Company not accorded by law or in these Articles to some other organ.

91.

91.1. The Board of Directors may resolve that authorities granted to the CEO will be transferred to its own authority, and all for a certain purpose or certain period of time.

91.2. Without detracting from that stated above, the Board of Directors may direct the CEO how to operate with regard to a certain matter. If the CEO shall fail to fulfill the instructions, the Board of Directors may exercise the authorities required for performance of the instruction in his stead.

91.3. If the CEO was precluded from exersizing his authorities, the Board of Directors may do so in his stead.

92. Subject to the provisions of the Companies Law, the Board of Directors may delegate any of the authorities of the CEO to an officer in the Company or some other person.

Delegation of authorities of the Board of Directors may be for a certain matter or a certain period of time, and all at the discretion of the Board of Directors.

Receiving of Credit and Granting of Guarantees and Collateral

93. Without detracting from any of the authorities accorded to the Board of Directors under these Articles, the Board of Directors may from time to time at its discretion resolve upon:

93.1 Receiving of credit by the Company in any amount and the securing of its discharge in the manner it shall deem proper:

93.2. The granting of a guarantee, collateral and any type of security.

93.3. The issue of a series of bonds, including capital notes or deeds of undertaking, including debentures, capital notes or deeds of undertaking which are convertible or maybe exercised into shares, and to determine the terms thereof, to pledge its property, in whole or in part, in the present or in the future, whether by floating charge or fixed charge. Bonds, capital notes, deeds of undertaking or other securities as stated above may be issued at a discount or at a premium and in any other manner, with deferred rights or special rights and/or preferred rights and/or other rights and all as determined by the Board of Directors at its discretion.

94. That stated in Clause 93 above does not negate the authorities of the CEO or any party appointed therefore to resolve upon the receiving of credit by the Company and/or the issue of collateral by the Company within the limits of the credits and the collateral determined by the Board of Directors.

Committees of the Board of Directors

95. Subject to the provisions of the Companies Law, the Board of Directors may as it deems proper, establish committees of two or more members, appoint members from out of the members of the Board of Directors (hereinafter: "**Board of Directors committee"),** and to delegate to the Board of Directors committee its authorities, in whole or in part.

In a Board of Directors committee to which the Board of Directors has delegated any of its authorities, only members of the Board of Directors may serve. In a Board of Directors committee whose function is to advise the Board of Directors or recommend only, parties who are not members of the Board of Directors may serve.

Notwithstanding that stated above, in the following matters, the Board of Directors may not delegate any of its authorities to a Board of Directors committee, but rather shall be entitled to establish committees for recommendation only:

95.1. Determination of general policies of the Company.

95.2. Distribution, save for the purchase of shares of the Company in accordance with a framework determined in advance by the Board of Directors.

95.3. Determination of the position of the Board of Directors on a matter requiring approval of the general assembly or the issue of an opinion on the profitability of a special purchase offer, as stated in Article 329 of the Companies Law.

95.4. Appointment of directors.

95.5. Issue or allotment of shares or of securities convertible into shares or which may be exercised into shares, or a series of bonds, save as specified in Clause 39.2 above.

95.6. Approval of financial reports.

95.7. Approval of transactions and actions requiring approval of the Board of Directors under the provisions of Articles 255 and 268 through 275 of the Companies Law.

96. A resolution passed or an action carried out by a Board of Directors committee, is deemed a resolution passed or an action carried out by the Board of Directors save if determined explicitly otherwise by the Board of Directors, for a certain matter or for a certain committee. The Board of Directors may from time to time expand, reduce or cancel the delegation of authorities to a Board of Directors committee, but the reduction or cancellation as stated shall not prejudice the validity of a resolution of the committee according to which the Company has acted as towards some other person who was unaware of the cancellation.

97.

97.1. The legal quorum for the opening of a Board of Directors committee shall be two committee members who are serving at the time of the meeting, or their alternates, unless determined otherwise by the Board of Directors.

97.2. The general provisions of these Articles with regard to the operation of the Board of Directors shall apply, mutatis mutandis, also upon the Board of Directors committees so long as they have not been replaced by directives issued by the Board of Directors for such matter, and all subject to the provisions of the Companies Law.

97.3. The Board of Directors committee shall report to the Board of Directors continuously upon its resolutions or recommendations.

98.

98.1. The Board of Directors will appoint an audit committee from amongst its members. The number of members of the audit committee shall not be less than three and all of the external directors shall be members therein. The following shall not be members of the audit committee: The chairman of the Board of Directors, any director employed by the

Company or routinely providing services to it, and a controlling interest in the Company or his relation.

98.2. The functions of the audit committee shall be as determined in the Companies Law including any other function imposed upon it by the Board of Directors.

Actions of the Board of Directors

99. Subject to the provisions of these Articles, the Board of Directors may convene for purposes of performance of its functions and postpone its meetings and regulate its activities and deliberations as it shall deem fit.

100. The Board of Directors will appoint one of its members as chairman of the Board of Directors (hereinafter **"Chairman of the Board of Directors"**). The Board of Directors may appoint one or more of its members as deputy chairman of the Board of Directors who shall serve as replacement chairman in his absence. The Board of Directors may determine the period for which the chairman and his deputies shall serve. In the absence of such determination, the chairman of the Board of Directors and his deputies shall serve for so long as they serve as directors and no resolution has been passed by the Board of Directors of the Company upon their replacement.

101. The chairman of the Board of Directors shall chair meetings of the Board of Directors and shall conduct them. If the chairman of the Board of Directors is absent from a meeting of the Board of Directors, in accordance with a notice delivered in advance, or has failed to appear to a meeting of the Board of Directors within 15 minutes from the date determined for the meeting (hereinafter: **"absence"**), then the deputy chairman of the Board of Directors shall chair the meeting (if one was appointed). In the absence of both the chairman of the Board of Directors and his deputy from the meeting, members of the Board of Directors who are present will elect one of their members as chairman of the meeting.

102. The Board of Directors will convene as per the requirements of the Company, and at least once every three months.

103. The chairman of the Board of Directors may convene the Board of Directors at anytime, and determine the place and the date for the meeting of the Board of Directors.

104. Without detracting from that stated above, the chairman of the Board of Directors shall be required to convene the Board of Directors upon the occurrence of one of the following:

104.1. Receiving a demand for convening of the Board of Directors from at least two directors, for deliberation upon a matter which shall be specified in their demand, and if there are five directors in the Company (or less), a demand for convening of the Board of Directors from at least one director shall suffice for conducting of a discussion on the matter specified in his demand.

104.2. Receiving notice or report of the CEO which requires an action of the Board of Directors.

104.3. Receiving notice from the auditing accountant of material defects in the accounting auditing of the Company.

Upon receipt of the notice or report as stated, the chairman of the Board of Directors shall convene the Board of Directors, without delay, not later than the passage of 14 days from the date of the demand, report or notice, as the case may be.

105.

105.1. Notice in advance of the convening of the Board of Directors shall be provided to each of the members of the Board of Directors three days prior to the date of the meeting.

105.2. Notwithstanding that stated above, the Board of Directors may, at the consent of all of the directors, convene for a meeting without notice.

106. The agenda of meetings of the Board of Directors will be determined by the chairman of the Board of Directors and shall include:

106.1. Matters determined by the chairman of the Board of Directors.

106.2. Matters determined as stated in Clause 104 above.

106.3. Any matter which a director or the CEO has requested of the chairman of the Board of Directors, a reasonable time prior to the convening of the meeting of the Board of Directors, to be included in the agenda (hereinafter: "**the agenda**").

107. The notice of the convening of the Board of Directors shall indicate the date of the meeting, its location and reasonable details of the matters to be discussed at the meeting, in accordance with the agenda. The notice may be in writing and it may be oral.

108. Notice of a meeting of the Board of Directors, if the notice is delivered in writing, shall be delivered to the address which the director provided to the Company in advance save if the director has requested that the notice be delivered to him at some other location or if he has consented to its delivery at some other location.

109. The legal quorum for the opening of a meeting of the Board of Directors shall be a majority of the members of the Board of Directors serving at the time of the meeting and entitled to participate therein, themselves or their alternates.

In the absence of a legal quorum upon the passage of half of an hour from the time determined for the meeting of the Board of Directors, the meeting shall be postponed for 48 hours. At a postponed meeting as stated in the absence of a legal quorum within half

of an hour from the convening, the directors who are present and entitled to vote shall constitute the legal quorum.

110.

110.1. In a vote in the Board of Directors, each director shall have one vote. Resolutions of the Board of Directors shall be passed by a majority of the votes of the directors present at the meeting and voting therein, without taking into account abstentions. The chairman of the Board of Directors shall not have a decisive vote in the event of a tie.

110.2. In the event of tied votes, the proposed resolution upon which the members of the Board of Directors have voted shall be deemed rejected.

111. The Board of Directors may conduct meetings by any means of communication and provided that all of the directors participating can hear each other simultaneously. The Board of Directors may regulate the manner and the methods for the conduct of its meetings by means of communication.

112. The Board of Directors may pass resolution even without actually convening, and provided that all of the directors entitled to participate in the deliberation and to vote upon the matter presented for resolution, have consented to the resolution and have signed thereupon (or on separate copies thereof, including by means of facsimile). A resolution passed in such manner shall be valid for all intents and purposes as though it was passed at a meeting of the Board of Directors, which was convened and conducted lawfully.

Minutes

113. The Board of Directors shall ensure that minutes shall be held of the proceedings and the meetings of the Board of Directors. The minutes shall be recorded in books prepared for such purpose and shall include, inter alia, the following details:

113.1. The names of the participating directors and other parties present of every meeting of the Board of Directors.

113.2. The matters discussed at the meeting of the Board of Directors and the resolutions passed.

Each minutes shall be signed by the chairman of the Board of Directors or by the chairman of the meeting, as the case may be. Minutes which are signed and approved as stated shall serve as prima facie evidence to the content thereof.

114. The provisions of Clause 113 above shall apply also to the meetings of the Board of Directors committees and the passage of resolutions of the Board of Directors without convening, as stated in Clause 112 above.

The CEO

115. The Board of Directors shall appoint from time to time a CEO for the Company, and is entitled to appoint more than one CEO (each one of these shall hereinafter be called: **CEO**). The Board of Directors is also entitled to dismiss the CEO or to replace him at any time it deems proper.

116. The CEO is not required to be a shareholder in the Company nor must he be a director.

117. The CEO is responsible for the continuous management of the affairs of the Company, in the framework of the policy determined by the Board of Directors and subject to its directives.

118. The CEO shall have all of the authorities of management and execution not granted at law or in these Articles or by virtue thereof to some other organ of the Company with the exception of authorities as stated which shall be transferred from him to the Board of Directors in accordance with the provisions of Clause 91.1 above, if they shall be transferred. The CEO shall be subordinate to the Board of Directors.

119. Subject to the provisions of the Companies Law and these Articles, the Board of Directors may from time to time deliver and grant to the CEO authorities belonging to the Board of Directors under these Articles, as it shall deem fit, and it is entitled to grant any of these authorities for such period, such purpose and under such terms and limitations as the Board of Directors shall deem appropriate, and the Board of Directors is entitled to grant these authorities, both without relinquishing its authority in the matter or in their stead or subordinates to them, in whole or in part, and is entitled from time to time to cancel, suspend and change these authorities, in whole or in part.

120. Without detracting from that stated in Article 127 and 129 below, the CEO is entitled, with the approval of the Board of Directors, to delegate any of his authorities to other/s, subordinate to him. Approval of the Board of Directors as mentioned may be granted generally or for a specific matter.

121. Without detracting from the provisions of the Companies Law and applicable law, the CEO will submit to the Board of Directors reports on matters, at times and at a scope as determined by the Board of Directors, whether in a specific resolution or in the framework of the procedures of the Board of Directors.

122. The wage of the CEO may be paid as a salary, or commission or participation in the profit or the granting of securities or the rights to purchase these, or in any other manner.

Validity of Actions and Approval of Transactions

123. Subject to the provisions of applicable law, all of the actions taken by the Board of Directors or by a Board of Directors committee or by any person acting as director or member of a Board of Directors committee or by an officer, as the case may be - shall be

valid even if it evolves thereafter that there was some defect in the appointment of the director, Board of Directors committee, director who is a member of the committee or officer, as the case may be, or that any of the officers mentioned was prohibited from serving in such position.

124.

124.1 Subject to the provisions of the Companies Law, the holding of shares in the Company and the service as an officer in the Company whilst being a party at interest or an officer in any other corporation, including a corporation in which the Company is a party at interest or a shareholder in the Company, shall not preclude an officer from being an officer in the Company. Additionally, an officer shall not be precluded from being an officer in the Company due to his engagement or subsequent to the engagement of any corporation as stated above, in a contract with the Company in any matter or manner whatsoever.

124.2 Subject to the provisions of the Companies Law, the service of a person as an officer in the Company shall not preclude him and/or his relations and/or some other corporation in which he is a party at interest, from engaging with the Company in transactions in which the officer has a personal interest in any manner whatsoever.

124.3 Subject to the provisions of the Companies Law, an officer shall be entitled to participate and to vote in deliberations with regard to approval of transactions or actions in which he has a personal interest.

125. Subject to the provisions of the Companies Law, a transaction of the Company with some other person in whom the officer in the Company has a personal interest, and which are not extraordinary transactions, will be approved as follows:

125.1 Engagement as stated above in a transaction which is not extraordinary shall be approved by the Board of Directors or by some other party (including the audit committee of the Company) authorized therefor by the Board of Directors, whether in a specific resolution or in the framework of the procedures of the Board of Directors, whether by general agreement or by agreement to a certain type of transactions or a specific transaction.

125.2 Approval of transactions which are not extraordinary as stated above may be made by general approval for a certain type of transaction or approval for a specific transaction.

126. Subject to the provisions of the Companies Law, general notice issued to the Board of Directors by an officer or a controlling interest in the Company with regard to his personal interest in a certain body, with details of his personal interest, shall constitute disclosure by the officer or the controlling interest, to the Company, with regard to his personal interest as stated for purposes of any engagement with the aforementioned body, or an engagement in which the aforementioned body has a personal interest.

Signature on behalf of the Company

127. Subject to the provisions of the Companies Law and these Articles, the Board of Directors may authorize any party to act and to sign on behalf of the Company, whether himself or some other person, generally or on certain matters.

128. The Company shall have a stamp bearing the name of the Company. A signature upon a document shall not bind the Company save if it was signed by those authorized to sign on behalf of the Company together with the stamp of the Company or its printed name.

Appointment of Legal Representatives

129. Subject to the provisions of the Companies Law, the Board of Directors is entitled at any time to grant a power of attorney to any person to legally represent the Company for such purposes and with such authorities and discretion and for such period of time and subject to such terms and all as the Board of Directors shall deem fit.

The Board of Directors will be entitled to grant to such person, inter alia, authorities to transfer to some other, fully or partially, the authorities and powers and discretion granted to him.

Exemption, Indemnification and Insurance

130. Subject to the provisions of the Companies Law, the Company is entitled to exempt an officer from liability, in whole or in part, due to damage for breach of the duty of caution towards it. However, a Company may not exempt a director in advance from his liability towards it due to breach of the duty of caution upon distribution.

131. Subject to the provisions of the Companies Law and the Securities Law, the Company may engage in a contract to insure the liability of its officer, for liability imposed upon him due to an act carried out by virtue of his position as an officer, in any one of the following:

131.1. Breach of the duty of caution towards the Company or towards some other person.

131.2. Breach of the fiduciary duty towards the Company and provided that the officer acted in good faith and had reasonable cause to assume that the actions shall not harm the welfare of the Company.

131.3. Monetary liabilities imposed upon him in favor of some other person including payments to the victim of the breach as stated in Article 52nd (a)(1)(a) of this security's law.

131.4. Any other event for which it is permitted and/or shall be permitted to insure the liability of an officer including for expenses made in connection with proceedings conducted against him (as defined in Article 56h (a)(1) of the Securities Law) including reasonable litigation expenses and including lawyers professional fees.

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132. Subject to the provisions of the Companies Law and the Securities Law -

132.1. The Company is entitled to provide an undertaking in advance to indemnify its officers for liability or expense as stated in Clause 133 below, in any of the following (hereinafter: "**undertaking for indemnification**"):

(b) As specified in Clause 133.1 below and provided that the undertaking for indemnification will be limited to events which in the opinion of the Board of Directors are anticipated in light of the activity of the Company in practice at the time of the issue of the undertaking for indemnification and to an amount or a criteria which the Board of Directors has determined are reasonable in the circumstances and that in the undertaking for indemnification, there shall be indicated the events which in the opinion of the Board of Directors are anticipated in light of the activity of the Company in practice at the time of the issue of the undertaking and the amount or criteria which the Board of Directors has determined are reasonable in the circumstances.

(c) As specified in Clause 133.2 or 133.3 below.

132.2. Without detracting from that stated in Clause 132.1 above, the Company is entitled to indemnify an officer therein retroactively, due to a liability or an expense as stated in Clause 133 below which was imposed upon him due to an action taken as an officer in the Company.

133. An undertaking for indemnification or indemnification as stated in Clause 132 above, may be granted due to liability or expense as specified in sub Clauses 133.1 to 133.4 below, which were imposed upon the officer or which he expended due to an action taken by virtue of being an officer in the Company, as follows:

133.1. A monetary liability imposed upon him in favor of some other party by a judgment, including a judgment issued in a settlement or an arbitrator's judgment approved by a court, for payment to the injured party of a breach as stated in article 52ns (a)(1)(a) of the Security's law.

133.2. Reasonable litigation expenses including attorney's professional fees which the officer expended due to investigation or proceedings conducted against him by an authority entitled to conduct an investigation or proceedings and which ended without submission of an indictment against him and without monetary liabilities imposed upon him as an alternative to a criminal proceeding or which ended without submission of an indictment against him or the imposition of monetary liability as an alternative to criminal proceedings for a crime which does not require the proof of mens rea; in this paragraph -

Termination of proceedings without submission of an indictment in the matter in which a criminal investigation was commenced - means the closing of the case as per Article 62 of the Criminal Procedural Law (combined version) - 1982 (in this sub-clause - the Criminal Procedural Law) or a stay of proceedings by the Attorney General under Article 231 of the Criminal Procedural Regulations.

"Monetary liability as an alternative to criminal proceedings" - monetary liability imposed at law as an alternative to a criminal proceeding, including an administrative fine under the Administrative Crimes Law - 1985, a fine for a crime determined as a fine-crime under the provisions of the Criminal Procedural Regulations, and administrative fine or ransom.

133.3. Reasonable litigation expenses, including lawyers professional fees, which the officer expended or was obligated by the court, in proceedings commenced against him by the Company or in its name or by some other person, or a criminal indictment from which he was acquitted or a criminal indictment in which he was convicted of a crime which does not require the proof of mens rea.

133.4. Any other liability or expense for which indemnification of an officer is and/or shall be permitted.

133.5. An expense made in connection with proceedings under Section H3, H4 or I1 of the Securities Law, including reasonable litigation expenses and lawyer's professional fees.

134. Subject to the provisions of the Companies Law, nothing in the provisions of these Articles shall limit the Company in any manner in connection with its engagement in an insurance contract or in connection with the granting of an exemption or indemnification:

134.1. In connection with an officer in the Company or a director in another Company, to such extent as the insurance, exemption or indemnification are not prohibited under any law.

134.2. In connection with parties who are not officers in the Company or directors in another Company, including but without detracting from the generality of that stated above, employees, contractors or advisers.

Dividends, Funds, and Amortization of Funds and Profits

135. The Board of Directors may, prior to resolving upon distribution of dividend, as stated in clause 137 above, allocate from the within the profits, certain amounts as they shall deem fit and subject to any law, to a general fund or to a fund reserved for distribution of dividend, for distribution of bonus shares or some other purpose, as shall be determined by the Board of Directors at its discretion. The Board of Directors of the Company may, prior to resolving upon distribution of dividend, allot from within the profits certain amounts, as which shall be in fit, to a general fund or to a fund reserved for any purpose, as the Board of Directors shall determine at its discretion. In accordance with the discretion of the Board of Directors, profits of the Company which the Board of Directors has not resolved to distribute as dividend shall be transferred to the following year.

136. Until use is made of the aforementioned funds, the Board of Directors may invest the amounts allotted as stated above and the funds, in any investment, as it shall deem fit, and to handle such investments, to change them or to make any other use thereof, and is

entitled to distribute the reserved fund into special funds and to use each fund or part thereof for purposes of the business of the Company, without maintaining it separate from the remainder of the assets of the Company, all according to the discretion of the Board of Directors and the terms it shall determine.

137. Subject to the provisions of the Companies Law, the Board of Directors may resolve upon distribution of dividend. The Board of Directors resolving upon distribution of dividend may resolve that the dividend shall be paid, in whole and in part, in cash or in kind, and including this in securities or any other manner, at its discretion.

138.

138.1.

(A) Subject to the provisions of the Companies Law, the Board of Directors may resolve upon the allotment of bonus shares, and to convert into share capital as per the definition thereof in Article 302(b) of the Companies Law, some of the profits of the Company derived from shares or from a premium on shares or from any other source included in the shareholders capital, indicated in its last financial reports, in an amount determined by the Board of Directors and which shall not be less than the nominal value of the bonus shares.

(B) A Board of Directors resolving upon the allotment of bonus shares, shall determine whether they shall be of one class only for all shareholders without taking into account the class of shares held by them or for each shareholder as stated there shall be distributed bonus shares of the same class in respect of each class of shares held by him.

(C) Bonus shares which shall be allotted under this clause shall be deemed as fully paid up.

138.2 A Board of Directors resolving upon allotment of bonus shares may resolve that the Company shall transfer to a special fund designated for distribution of bonus shares in the future, such amounts that the conversion thereof into share capital shall suffice to allot to whomever shall, at such time for any reason, be entitled to purchase shares in the Company (including rights which may be implemented only at a later date), bonus shares which shall be due to him, had he exercised the right to purchase shares on the eve of the determining date for the right to receive the bonus shares (in this clause - "**the determining date**"). In the event that after the determining date a holder of a right as stated shall exercise his right to purchase shares or part thereof, the Company shall allot bonus shares to him with a nominal value and which are due to him had he exercised the right to purchase shares which he actually purchased, on the eve of the determining date, and this by the conversion into share capital of the special fund as mentioned. Bonus shares shall accord the owners thereof participation and distribution of dividends in cash or bonus shares starting on the date determined by the Board of Directors. With regard to determination of the amount which shall be transferred to the special fund as stated, any amounts transferred to such fund in respect of previous distributions of bonus shares shall

be viewed as already amortized and that shares have already allotted from it, which grant bonus shares to the holders of the right to purchase shares.

139. Subject to the rights ancillary to the classes of shares issued by the Company and the provisions of these Articles, a dividend or a bonus share shall be distributed to the shareholders proportionally to the nominal value of each share, without taking into account any premium which was paid thereupon.

140. In order to execute a resolution regarding distribution of dividend or allotment of bonus shares, the Board of Directors is entitled:

140.1 To resolve at its discretion any difficulty which shall arise in connection therewith and to adopt all of the steps it deems proper to overcome such difficulty.

140.2 To resolve that fractions lower than a certain amount determined by the Board of Directors shall not be taken into account for adjustment of the right of the shareholders or to sell fractions of shares and to pay the consideration for them (net) to those entitled to them.

140.3 To authorize to sign on behalf of the shareholders upon any contract or other documents required for the validity of the allotment and or distribution, and particularly to authorize to sign and submit for registration a document in writing as stated in Article 291 of the Companies Law.

140.4 To determine the value of certain assets which shall be distributed and to decide that payments in cash will be paid to shareholders on the basis of the value which was determined.

140.5 To grant cash or certain assets to trustees in favor of parties entitled thereto, as shall seem practical in view of the Board of Directors.

140.6 To make any arrangement or other arrangement which shall be required in the opinion of the Board of Directors to enable the allotment or distribution, as the case may be.

141. Dividend or other benefit in respective shares shall not bear interest or linkage differences.

142. The Board of Directors may delay any dividend or bonus shares or other benefits in respect of a share for which the consideration determined therefor, in whole or in part, was not paid to the Company, and to collect any amount as stated or consideration which shall be received from the sale of any bonus shares or other benefits, on account of the debt or liability in respect of the aforementioned share, this, whether the aforementioned share is owned exclusively by the shareholder in debt or jointly with other shareholders.

143. The Board of Directors may delay any dividend or bonus share or other benefit in respect of a share to which a person is entitled to be registered as its owner in the registry or is

entitled to transfer it, under clauses 28 or 30 above, as the case may be, until such person shall be registered as the owner of the share or until he shall transfer it at law, as the case may be.

144. The Board of Directors may determine from time to time the manner of the payment of the dividend or allotment of bonus shares or their transfer to those entitled and instructions, procedures and arrangements in connection therewith, both with regard to the registered shareholders and non registered shareholders. Without detracting from the generality of that stated above, the Board of Directors is entitled to determine as follows:

144.1.

(A) Subject to that stated in sub-clause (B) below, a dividend or funds which shall be distributed to registered shareholders shall be paid to the registered shareholder by the dispatch of a check by post to his address as shall be registered in registry of shareholders, or in the instance of jointly registered owners of the share, to the party whose name appears first in the registry of shareholders regarding such share. Every dispatch of a check as stated shall be made at the risk of the registered shareholder. Without detracting from that stated above, the Board of Directors may determine that a dividend amount less than a certain amounts determined by the Board of Directors shall not be sent by check as stated, and there shall apply to it the provisions of sub-clause (B) below.

(B) The Board of Directors may determine that the payment of dividend or funds which are distributed to the registered shareholders, may be made at the office or any other place determined by the Board of Directors.

144.2. Dividends distributed to non-registered shareholders shall be transferred to such shareholders by means of a company for registration or any other means determined by the Board of Directors.

145. If two or more persons are jointly registered for a share in the registry of shareholders, each of them is entitled to issue a valid receipt for any dividend, share or other security, or other funds or benefits due in respect of the share.

Documents of the Company

146.

146.1. Shareholders shall have a right to view documents of the Company specified in Articles 184 of the Companies Law, upon fulfillment of the conditions determined therefor.

146.2. Shareholders shall not have a right to view documents of the Company or any part of them save if they were granted a right as stated, under statute or under these Articles or if they were permitted so to do by the Board of Directors as stated in Clause 146.1 above.

147. Subject to the provisions of applicable law, any book, record or registry which the Company must maintain in accordance with the law or these Articles, will be maintained using technical or other means as decided by the Board of Directors.

Financial Reports

148. The financial reports of the Company shall be signed by the party authorized therefor by the Board of Directors, as required at law.

Auditing Accountant

149. The auditing accountant or the auditing accountants shall be appointed at every annual assembly and shall serve in their position until the end of the following annual assembly.

150.

150.1. The Board of Directors shall determine the wage for the audit activity of the auditing accountant appointed by the Company, at the discretion of the Board of Directors.

150.2. The wage of the auditing accountant for additional services to the Company which are not auditing service, shall be determined by the Board of Directors at its discretion.

Notices

151. The provision of notices or delivery of documents to shareholders and a company for registration, in accordance with the provisions of the law or these Articles, shall be in such manners indicated below in this section.

152. Notice of a general assembly shall be delivered in accordance with Clause 53 above.

153.

153.1. Without detracting from that stated above, the Company is entitled to deliver notice or document to a shareholder by personal delivery or by facsimile or by post or by electronic mail. Postal delivery shall be made to the address of the shareholder registered in the registry or in the absence of such registered address, at the address delivered by him to the Company for the dispatch of notices to him. Notice delivered by means of facsimile shall be sent to the shareholder in accordance with the facsimile number delivered by him to the Company. Notice delivered by email shall be sent to the shareholder at the email address delivered by him to the Company.

153.2.

(A) Notice or documents delivered to the shareholder shall be deemed delivered upon their time of their delivery to his possession.

(B) Notice or documents sent by post shall be deemed properly delivered if delivered for postal dispatch when they bear the proper address and are lawfully postaged. Delivery shall be deemed to have been performed at the time at which the letter was to be delivered in the ordinary manner by the post, and not more than three days from the date in which the letter including the notice was delivered as stated at the post office.

(C) Notice sent by facsimile or email shall be deemed delivered 24 hours after the dispatch.

154. Without detracting from that stated above, the Company is entitled to deliver notice to shareholders by publication of the notice once, in two daily papers published in Israel in the Hebrew language, both in addition to and in the stead of notice as stated in clause 153 above. The date of publication in the paper shall be deemed the date of receipt of the notice by the shareholders.

155. The Company is entitled to notify upon the delivery of a document at the office or in any other place determined by the Board of Directors or in any other manner, including by means of the internet.

156. The Company is entitled to deliver to joint shareholders a notice or a document by dispatched to the shareholder whose name appears first in the registry of shareholders for such share.

157. Every person to whom a right to any share was lawfully transferred, by transfer or any other manner, shall be bound by such notice with regard to such share which was lawfully delivered to the person from whom his right derives to such share, prior to the recording of his details in the registry.

158. Any document or notice delivered to a shareholder in the Company in accordance with the provisions of these Articles shall be deemed as properly delivered notwithstanding his death, bankruptcy or the liquidation of such shareholder or the assignment of the right in the shares, in accordance with the law (whether the Company knew thereof or not) for so long as some other party was not registered in his stead as a shareholder, and the dispatch or delivery as stated shall be deemed for all purposes as sufficient with regard to any party interested in such shares and/or entitled to them by virtue of assignment of the right, in accordance with the law, whether together with such shareholder or by virtue thereof or in his stead.

159. Subject to the provisions of applicable law, a shareholder, director or any other party, who is entitled to receive notice in accordance with these Articles or at law, may waive its receipt, whether an advance or in retrospect, whether in a special circumstance or in general, and having done so, the notice will be deemed to have been lawfully provided and any proceedings or action in respect of which notice was to have been given, shall be deemed valid and in force.

160. Confirmation in writing signed by a director or by the Secretary of the Company with regard to the dispatch of a document or a notice in any one of the manners specified in these Articles, shall be deemed decisive proof of any detail included therein.

161. For so long as advance notice of a number of days must be granted or a notice is valid for a certain period, the date of delivery shall be included in the count of the number of days or the period, save as indicated otherwise. If notice was given in more than one of the manners specified above, it shall be deemed to have been received at the earliest dates at which it was considered received, as stated above.

Merger

162. Approval of a merger in accordance with the first chapter of the eighth section of the Companies Law, requires an ordinary majority in the general assembly or a class assembly, as the case maybe, and all subject to the provisions of applicable law.

Liquidation

163. Subject to the provisions of applicable law, the liquidator is entitled, whether in voluntary or other liquidation, in accordance with the resolution of the general assembly passed by ordinary majority, to distribute in kind between the shareholders, the surplus assets, in whole or in part, and the liquidator is further entitled in accordance with a resolution of the general assembly passed by an ordinary majority to deposit any part of the surplus assets in trust which shall be held in favor of the shareholders, as the liquidator shall deem appropriate. For the purpose of distribution of surplus assets in kind, the liquidator may determine the proper value of the property available for distribution and to decide how to carry out the distribution between the shareholders taking into account the ancillary rights from the different classes of shares in the Company which they own.

Bearer Shares

164. Subject to the provisions of applicable law, the Company is entitled to issue for a share which was paid up in full, a share certificate in accordance with the provisions which shall be determined for this matter by the Board of Directors of the Company, and in such instance, the share shall be registered as stated in Article 130(a)(2) of the Companies Law, and the name of the shareholder shall be erased from the registry of shareholders.

Internal Auditor

165. The organizational supervisor of the internal auditor shall be the chairman of the Board of Directors, or if the Board of Directors shall determine - the CEO of the Company.

166. Proposals for the annual work plan shall be submitted by the internal auditor for approval of the Board of Directors of the Company, or if the Board of Directors has determined, for approval of the audit committee.

Exhibit 10.1

BRAINSWAY LTD.
2014 SHARE INCENTIVE PLAN

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

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

1.1. Purpose. The purpose of this 2014 Share Incentive Plan (as amended, this "**Plan**") is to afford an incentive to Service Providers of Brainsway Ltd., an Israeli company (together with any successor corporation thereto, the "**Company**"), or any Affiliate of the Company, which now exists or hereafter is organized or acquired by the Company, to continue as Service Providers, to increase their efforts on behalf of the Company or its Affiliates and to promote the success of the Company's business, by providing such Service Providers with opportunities to acquire a proprietary interest in the Company by the issuance of Shares or restricted Shares ("**Restricted Shares**") of the Company, and by the grant of options to purchase Shares ("**Options**"), Restricted Share Units ("**RSUs**") and other Share-based Awards pursuant to Sections 11 through 13 of this Plan.

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

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

(ii) pursuant to Section 3(9) of the Ordinance or the corresponding provision of any subsequently enacted statute, as amended from time to time (such Awards, "**3(9) Awards**");

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

(iv) Awards not intended to be (as set forth in the Award Agreement) or which do not qualify as an Incentive Stock Option to be granted to Service Providers who are deemed to be residents of the United States for purposes of taxation ("**Nonqualified Stock Options**").

In addition to the issuance of Awards under the relevant tax regimes in the United States of America and the State of Israel, and without derogating from the generality of Section 25, this Plan contemplates issuances to Grantees in other jurisdictions or under other tax regimes with respect to which the Committee is empowered to make the requisite adjustments in this Plan and set forth the relevant conditions in an appendix to this Plan or in the Company's agreement with the Grantee in order to comply with the requirements of such other tax regimes.

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

1.4. Construction. To the extent any provision herein conflicts with the conditions of any relevant tax law, rule or regulation which are relied upon for tax relief in respect of a particular Award to a Grantee, the Committee is empowered, but is not required, hereunder to determine that the provisions of such law, rule or regulation shall prevail over those of this Plan and to interpret and enforce such prevailing provisions.

2. **DEFINITIONS**.

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

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

2.3. "**Affiliate**" shall mean, (i) with respect to any person, any other person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such person (with the term "control" or "controlled by" within the meaning of Rule 405 of Regulation C under the Securities Act), including, without limitation, any Parent or Subsidiary, or (ii) for the purpose of 102 Awards, "**Affiliate**" shall only mean an "employing company" within the meaning and subject to the conditions of Section 102(a) of the Ordinance.

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

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

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

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

2.8. "**Committee**" shall mean a committee established or appointed by the Board to

administer this Plan, subject to Section 3.1.

2.9. "**Companies Law**" shall mean the Israel Companies Law, 5759-1999, and the regulations promulgated thereunder, all as amended from time to time.

2.10. "**Controlling Shareholder**" shall have the meaning set forth in Section 32(9) of the Ordinance.

2.11. "**Disability**" shall mean (i) the inability of a Grantee to engage in any substantial gainful activity or to perform the major duties of the Grantee's position with the Company or its Affiliates by reason of any medically determinable physical or mental impairment, as determined by a qualified doctor acceptable to the Company, (ii) if applicable, a "permanent and total disability" as defined in Section 22(e)(3) of the Code or Section 409A(a)(2)(c)(i) of the Code, as amended from time to time, or (iii) as defined in a policy of the Company that the Committee deems applicable to this Plan, or that makes reference to this Plan, for purposes of this definition.

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

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

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

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

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

2.17. "**Fair Market Value**" shall mean, as of any date, the value of a Share or other property as determined by the Board, in its discretion, subject to the following: (i) if, on such date, the Shares are listed on any securities exchange, the average closing sales price per Share on which the Shares are principally traded over the thirty (30) day calendar period preceding the subject date (utilizing all trading days during such 30 calendar day period), as reported in The Wall Street Journal or such other source as the Company deems reliable; (ii) if, on such date, the Shares are then quoted in an over-the-counter market, the average of the closing bid and asked prices for the Shares in that market during the thirty (30) day calendar period preceding the subject date

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

2.18. "**Grantee**" shall mean a person who has been granted an Award(s) under this Plan.

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

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

2.21. "**Retirement**" shall mean a Grantee's retirement pursuant to Applicable Law or in accordance with the terms of any tax-qualified retirement plan maintained by the Company or any of its Affiliates in which the Grantee participates or is subject to.

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

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

2.24. "**Shares**" shall mean Ordinary Shares, par value NIS 0.04, of the Company (as adjusted for stock split, reverse stock split, bonus shares, combination or other recapitalization events), or shares of such other class of shares of the Company as shall be designated by the Board in respect of the relevant Award(s). "Shares" include any securities or property issued or distributed with respect thereto.

2.25. "**Subsidiary**" shall mean any company (other than the Company), which now exists or is hereafter organized or acquired by the Company, (i) in an unbroken chain of companies beginning

with the Company if, at the time of granting an Award, each of the companies other than the last company in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other companies in such chain, or (ii) if applicable and for purposes of Incentive Stock Options, as defined in Section 424(f) of the Code.

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

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

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

Term	Section
102 Awards	1.2(i)
102 Capital Gains Track Awards	9.1
102 Non-Trustee Awards	9.2
102 Ordinary Income Track Awards	9.1
102 Trustee Awards	9.1
3(9) Awards	1.2(ii)
Award Agreement	6
Cause	6.6.4.4
Company	1.1
Effective Date	24.1
Election	9.2
Eligible 102 Grantees	9.3.1
Incentive Stock Options	1.2(iii)
ISO Share Issuance Limit	5
ITA	1.1(i)
Market Stand-Off	17.1
Market Stand-Off Period	17.1
Merger/Sale	14.2
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3. **ADMINISTRATION**.

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

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

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

(i) eligible Grantees,

(ii) grants of Awards and setting the terms and provisions of Award Agreements (which need not be identical) and any other agreements or instruments under which Awards are made, including, but not limited to, the number of Shares underlying each Award,

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

(iv) the terms, conditions and restrictions applicable to each Award (which need not be identical) and any Shares acquired upon the exercise or (if applicable) vesting thereof, including, without limitation, (1) designating Awards under Section 1.2; (2) the vesting schedule, the acceleration thereof and terms and conditions upon which Awards may be exercised or become vested, (3) the Exercise Price, (4) the method of payment for Shares purchased upon the exercise or (if applicable) vesting of the Awards, (5) the method for satisfaction of any tax

withholding obligation arising in connection with the Awards or such Shares, including by the withholding or delivery of Shares, (6) the time of the expiration of the Awards, (7) the effect of the Grantee's termination of employment with the Company or any of its Affiliates, and (8) all other terms, conditions and restrictions applicable to the Award or the Shares not inconsistent with the terms of this Plan,

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

(vi) the interpretation of this Plan and the meaning, interpretation and applicability of terms referred to in Applicable Laws,

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

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

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

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

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

(xii) the amendment, modification, waiver or supplement of the terms of each outstanding Award (with the consent of the applicable Grantee, if such amendments refers to the increase of the Exercise Price of Awards or reduction of the number of Shared underlying an Award (but, in each case, other than as a result of an adjustment or exercise of rights in accordance with Section 14)) unless otherwise provided under the terms of this Plan,

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

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

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

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

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

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

3.7. Any officer of the Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company herein, provided the officer has apparent authority with respect to such matter, right, obligation, determination or election.

4. **ELIGIBILITY**.

Awards may be granted to Service Providers of the Company or any Affiliate thereof, taking into account the qualification under each tax regime pursuant to which such Awards are granted. A person who has been granted an Award hereunder may be granted additional Awards, if the Committee shall so determine, subject to the limitations herein. However, eligibility in accordance with this Section 4 shall not entitle any person to be granted an Award, or, having been granted an Award, to be granted an additional Award.

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

5. **SHARES**.

The maximum aggregate number of Shares that may be issued under this Plan shall initially be 1,500,000 authorized but unissued Shares (the "**Pool**") (except and as adjusted pursuant to Section 14.1 of this Plan), or such other number as the Board may determine from time to time (without the need to amend the Plan in case of such determination). However, except as adjusted pursuant to Section 14.1, in no event shall more than such number of Shares included in the Pool be available for issuance pursuant to the exercise of Incentive Stock Options (the "**ISO Share Issuance Limit**").

Any Share underlying an Award granted hereunder that has expired or was cancelled, terminated, forfeited or repurchased, for any reason, without having been exercised, shall, automatically and without any further action on the part of the Company or any Grantee, again be available for grant of Awards and Shares issued upon exercise of (if applicable) vesting thereof for the purposes of this Plan (unless this Plan shall have been terminated) or unless the Board determines otherwise. Such Shares may, in whole or in part, be authorized but unissued Shares, treasury shares (dormant shares) or Shares otherwise that shall have been or may be repurchased by the Company (to the extent permitted pursuant to the Companies Law). Any Shares under the Pool that are not subject to outstanding or exercised Awards at the termination of this Plan shall cease to be reserved for the purpose of this Plan.

6. **TERMS AND CONDITIONS OF AWARDS**.

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

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

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

6.3. Exercise Price. Each Award Agreement shall state the Exercise Price, which shall not be less than NIS 0.1. Unless otherwise set forth in this Plan, an Exercise Price of an Award of less than the par value of the Shares shall comply with Section 304 of the Companies Law, 1999, as amended. Subject to Section 3 and to the foregoing, the Committee may reduce the Exercise Price of any outstanding Award, on terms and subject to such conditions as it deems advisable. The Exercise Price shall also be subject to adjustment as provided in Section 14 hereof.

6.4. Manner of Exercise. An Award may be exercised, as to any or all Shares as to which the Award has become exercisable, by written notice delivered in person or by mail (or such other methods of delivery prescribed by the Company) to the Chief Financial Officer of the Company or to such other person as determined by the Committee, or in any other manner as the Committee shall prescribe from time to time, specifying the number of Shares with respect to which the Award is being exercised (which may be equal to or lower than the aggregate number of Shares that have become exercisable at such time, subject to the last sentence of this Section), accompanied by payment of the aggregate Exercise Price for such Shares in the manner specified in the following sentence. The Exercise Price shall be paid in full with respect to each Share, at the time of exercise, either in (i) cash, (ii) if the Company's shares are listed for trading on any securities exchange or over-the-counter market, all or part of the Exercise Price and any withholding taxes may be paid by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company or the Trustee, (iii) if the Company's shares are listed for trading on any securities exchange or over-the-counter market, and if the Committee so determines, all or part of the Exercise Price and any withholding taxes may be paid by the delivery (on a form prescribed by the Company) of an irrevocable direction to pledge Shares to a securities broker or lender approved by the Company, as security for a loan, and to deliver all or part of the loan proceeds to the Company or the Trustee, or (iv) in such other manner as the Committee shall determine, which may include procedures for cashless exercise. A Grantee may not exercise Awards unless the aggregate Exercise Price thereof is equal to or in excess of the lower of: (a) the aggregate Exercise Price for all Shares as to which the Award has become exercisable at such time; or (b) US$2,000.

Notwithstanding the above, as long as the Company's Shares are listed for trading on Tel-Aviv Stock Exchange Ltd. conversion shall not be executed on the record date for the distribution of bonus shares, offer by way of rights, distribution of a dividend, consolidation of capital, splitting of capital or reduction of capital (each of the aforesaid hereinafter referred to as "company event").

6.5. Term and Vesting of Awards.

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

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

6.5.3. The Exercise Period of an Award will be 10 years from the date of grant of the Award, unless otherwise determined by the Committee, but subject to the vesting provisions described above and the early termination provisions set forth in Sections 6.6 and 6.7 hereof. At the expiration of the Exercise Period, any Award, or any part thereof, that has not been exercised within the term of the Award and the Shares covered thereby not paid for in accordance with this Plan and the Award Agreement shall terminate and become null and void, and all interests and rights of the Grantee in and to the same shall expire.

6.6. Termination.

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

6.6.2. In the event that the employment or service of a Grantee shall terminate (other than by reason of death, Disability or Retirement), all Awards of such Grantee that are unvested at the time of such termination shall terminate on the date of such termination, and all Awards of such Grantee that are vested and exercisable at the time of such termination may be exercised within up to three (3) months after the date of such termination (or such different period as the Committee shall prescribe), but in any event no later than the date of expiration of the Award's term as set forth in the Award Agreement or pursuant to this Plan; provided, however, that if the Company (or the Subsidiary or Affiliate, when applicable) shall terminate the Grantee's employment or service for Cause (as defined below) or if at any time during the Exercise Period (whether prior to and after termination of employment or service, and whether or not the Grantee's employment or service is terminated by either party as a result thereof), facts or circumstances arise or are discovered with

respect to the Grantee that would have constituted Cause, all Awards theretofore granted to such Grantee (whether vested or not) shall, to the extent not theretofore exercised, terminate on the date of such termination (or on such subsequent date on which such facts or circumstances arise or are discovered, as the case may be) unless otherwise determined by the Committee.

6.6.3. Notwithstanding anything to the contrary, the Committee, in its absolute discretion, may, on such terms and conditions as it may determine appropriate, extend the periods for which Awards held by any Grantee may continue to vest and be exercisable; it being clarified that such Awards may lose their entitlement to certain tax benefits under Applicable Law as a result of the modification of such Awards and/or in the event that the Award is exercised beyond the later of: (i) three (3) months after the date of termination of the employment or service relationship; or (ii) the applicable period under Section 6.7 below with respect to a termination of the employment or service relationship because of the death, Disability or Retirement of Grantee.

6.6.4. For purposes of this Plan:

6.6.4.1. a termination of employment or service of a Grantee shall not be deemed to occur in case of (i) a transition or transfer of a Grantee among the Company and its Affiliates, (ii) a change in the capacity in which the Grantee is employed or renders service to the Company or any of its Affiliates or a change in the identity of the employing or engagement entity among the Company and its Affiliates, provided, in case of (i) and (ii) above, that the Grantee has remained continuously employed by and/or in the service of the Company and its Affiliates since the date of grant of the Award and throughout the vesting period; (iii) if the Grantee takes any unpaid leave as set forth in Section 6.8(i) below.

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

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

6.6.4.4. The term "**Cause**" shall mean (irrespective of, and in addition to, any definition included in any other agreement or instrument applicable to the Grantee, and unless otherwise determined by the Committee) any of the following: (i) any theft, fraud, embezzlement, dishonesty, willful misconduct, breach of fiduciary duty for personal profit, falsification of any documents or records of the Company or any of its Affiliates, felony or similar act by the Grantee (whether or not related to the Grantee's relationship with the Company); (ii) an act of moral turpitude

by the Grantee, or any act that causes significant injury to, or is otherwise adversely affecting, the reputation, business, assets, operations or business relationship of the Company (or a Subsidiary or Affiliate, when applicable); (iii) any breach by the Grantee of any material agreement with or of any material duty of the Grantee to the Company or any Subsidiary or Affiliate thereof (including breach of confidentiality, non-disclosure, non-use non-competition or non-solicitation covenants towards the Company or any of its Affiliates) or failure to abide by code of conduct or other policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct); or (iv) any act which constitutes a breach of a Grantee's fiduciary duty towards the Company or an Affiliate or Subsidiary, including disclosure of confidential or proprietary information thereof or acceptance or solicitation to receive unauthorized or undisclosed benefits, irrespective of their nature, or funds, or promises to receive either, from individuals, consultants or corporate entities that the Company or a Subsidiary does business with; (v) the

Grantee's unauthorized use, misappropriation, destruction, or diversion of any tangible or intangible asset or corporate opportunity of a Company or any of its Affiliates (including, without limitation, the improper use or disclosure of confidential or proprietary information); or (vi) any circumstances that constitute grounds for termination for cause under the Grantee's employment or service agreement with the Company or Affiliate, to the extent applicable. For the avoidance of doubt, the determination as to whether a termination is for Cause for purposes of this Plan, shall be made in good faith by the Committee and shall be final and binding on the Grantee.

6.7. Death, Disability or Retirement of Grantee.

6.7.1. If a Grantee shall die while employed by, or performing service for, the Company or its Affiliates, or within the three (3) month period (or such longer period of time as determined by the Board, in its discretion) after the date of termination of such Grantee's employment or service (or within such different period as the Committee may have provided pursuant to Section 6.6 hereof), or if the Grantee's employment or service shall terminate by reason of Disability, all Awards theretofore granted to such Grantee may (to the extent otherwise vested and exercisable and unless earlier terminated in accordance with their terms) be exercised by the Grantee or by the Grantee's estate or by a person who acquired the legal right to exercise such Awards by bequest or inheritance, or by a person who acquired the legal right to exercise such Awards in accordance with applicable law in the case of Disability of the Grantee, as the case may be, at any time within one (1) year (or such longer period of time as determined by the Board, in its discretion) after the death or Disability of the Grantee (or such different period as the Committee shall prescribe), but in any event no later than the date of expiration of the Award's term as set forth in the Award Agreement or pursuant to this Plan. In the event that an Award granted hereunder shall be exercised as set forth above by any person other than the Grantee, written notice of such exercise shall be accompanied by a certified copy of letters testamentary or proof satisfactory to the Committee of the right of such person to exercise such Award.

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

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

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

Grantee's Award Agreement, if the sale of any Shares received upon exercise or (if applicable) vesting of an Award following the termination of the Grantee's employment or service (other than for Cause) would violate the Company's insider trading policy, then the Award shall terminate on the earlier of (i) the expiration of a period equal to the applicable post-termination exercise period after the termination of the Grantee's employment or service during which the exercise of the Award would not be in violation of the Company's insider trading policy, or (ii) the expiration of the term of the Award as set forth in the applicable Award Agreement or pursuant to this Plan.

6.10. Voting Proxy. Until immediately after the listing for trading on a stock exchange or market or trading system of the Company's (or the Successor Corporation's) shares, the Shares subject to an Award or to be issued pursuant to an Award or any other Securities, shall, unless otherwise determined by the Committee, be subject to an irrevocable proxy and power of attorney by the Grantee or the Trustee (if so requested from the Trustee), as the case may be, to the Company, which shall designate such person or persons (with a right of substitution) from time to time as determined by the Committee (and in the absence of such determination, the CEO or Chairman of the Board, ex officio). The Trustee is deemed to be instructed by the Grantee to sign such proxy, as requested by the Company. The proxy shall entitle the holder thereof to receive notices, vote and take such other actions in respect of the Shares or other Securities. Any person holding or exercising such voting proxies shall do so solely in his capacity as the proxy holder and not individually. All Awards granted hereunder shall be conditioned upon the execution of such irrevocable proxy in substantially the form prescribed by the Committee from time to time. So long as any such Shares are subject to such irrevocable proxy and power of attorney or held by a Trustee (and unless a proxy was given by the Trustee as aforesaid), (i) in any shareholders meeting or written consent in lieu thereof, such Shares shall be voted by the proxy holder, unless directed otherwise by the Board, in the same proportion as the result of the vote at the shareholders' meeting (or written consent in lieu thereof) in respect of which the Shares are being voted (whether an extraordinary or annual meeting), and (ii) or in any act or consent of shareholders under the Company's Articles of Association or otherwise, such Shares shall be cast by the proxy holder, unless directed otherwise by the Board, in the same proportion as the result of the shareholders' act or consent. The provisions of this Section shall apply to the Grantee and to any purchaser, assignee or transferee of any Shares.

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

7. **NONQUALIFIED STOCK OPTIONS**.

Awards granted pursuant to this Section 7 are intended to constitute Nonqualified Stock Options and shall be subject to the general terms and conditions specified in Section 6 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Awards under different tax laws or regulations. In the event of any inconsistency or contradictions between the provisions of this Section 7 and the other terms of this Plan, this Section 7 shall prevail.

7.1. Eligibility for Awards. Nonqualified Stock Options may not be granted to Service Providers who is deemed to be a resident of the United States for purposes of taxation and who are providing services only to a "parent" of the Company, as such term is defined in Rule 405 of Regulation C under the Securities Act, unless the Shares underlying such Awards are treated as "service recipient stock" under Section 409A of the Code because the Awards are granted pursuant to a corporate transaction (such as a spin off transaction) or unless such Awards comply with the distribution

requirements of Section 409A of the Code.

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

8. **INCENTIVE STOCK OPTIONS**.

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

8.1. Eligibility for Awards. Incentive Stock Options may be granted only to Employees of the Company, or to Employees of a Parent or Subsidiary corporation thereof (as such terms are defined in Sections 424(e) and 424(f) of the Code). Any person who is not an Employee on the effective date of the grant of an Award to such person may be granted only a Nonqualifed Stock Option. An Incentive Stock Option granted to a prospective Employee upon the condition that such person become an Employee shall be deemed granted effective on the date such person commences employment, with an exercise price determined as of such date in accordance with Section 8.2.

8.2. Exercise Price. The Exercise Price of Incentive Stock Option shall not be less than one hundred percent (100%) of the Fair Market Value of the Shares covered by the Awards on the date of grant or such other price as may be determined pursuant to the Code. No Incentive Stock Option granted to any Ten-Percent Shareholder shall have an Exercise Price less than 110% of the Fair Market Value of a Share covered by the Awards on the effective date of grant. Notwithstanding the foregoing, Incentive Stock Option may be granted with an exercise price lower than the minimum exercise price set forth above if such Award is granted pursuant to an assumption or substitution for another option in a manner qualifying under the provisions of Section 424(a) of the Code.

8.3. Date of Grant. Incentive Stock Option shall be granted within 10 years from the date this Plan is adopted, or the date this Plan is approved by the shareholders, whichever is earlier.

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

8.5. Value of Shares. The aggregate Fair Market Value (determined as of the date the Incentive Stock Option is granted) of the Shares with respect to which all Incentive Stock Options granted under this Plan and all other option plans of any Parent or Subsidiary or Affiliate become exercisable for the first time by each Grantee during any calendar year shall not exceed one hundred thousand United States dollars ($100,000) with respect to such Grantee. To the extent that the aggregate Fair Market Value of Shares with respect to which the Incentive Stock Options are exercisable for the first time by any Grantee during any calendar years as mentioned above exceeds one hundred thousand United States dollars ($100,000), such Awards shall be treated as Nonqualified Stock Options. The foregoing shall be applied by taking Awards into account in the order in which they were granted, and the Fair Market Value

of any Share to be determined at the time of the grant of the Awards. If the Code is amended to provide for a different limitation from that set forth in this Section 8.5, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Awards as required or permitted by such amendment to the Code. If an Award is treated as an Incentive Stock Option in part and as a Nonqualifed Stock Option in part by reason of the limitation set forth in this Section 8.5, the Grantee may designate which portion of such Award the Grantee is exercising. In the absence of such designation, the Grantee shall be deemed to have exercised the Incentive Stock Option portion of the Award first. Separate certificates representing each such portion may be issued upon the exercise of the Award.

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

8.7. Incentive Stock Option Lock-Up Period. No disposition of Shares received pursuant to the exercise of Incentive Stock Options, shall be made by the Grantee within 2 years from the date of grant, nor within 1 year after the transfer of such Shares to him. To the extent that the Grantee violates the aforementioned limitations, the Incentive Stock Options shall be deemed to be Nonqualified Stock Options.

8.8. Approval. To the extent required by Applicable Law, the status of any Shares issued upon exercise of Incentive Stock Options shall be subject to approval of this Plan and any amendment thereto by the Company's shareholders, such approval to be provided 12 months before or after the date of adoption of this Plan or its amendment (if applicable), as the case may be, by the Board.

8.9. Leave of Absence. Notwithstanding Section 6.8, a Grantee's employment shall not be deemed to have terminated if the Grantee takes any leave as set forth in Section 6.8(i); provided, however, that if any such leave exceeds ninety (90) days, on the one hundred eighty-first (181st) day following the commencement of such leave any Incentive Stock Option held by the Grantee shall cease to be treated as an Incentive Stock Option and instead shall be treated thereafter as a Nonqualifed Stock Option, unless the Grantee's right to return to employment is guaranteed by statute or contract.

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

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

8.12. Notice to Company of Disqualifying Disposition. Each Grantee who receives an Incentive Stock Option must agree to notify the Company in writing immediately after the Grantee makes a Disqualifying Disposition of any Shares received pursuant to the exercise of Incentive Stock Options. A

"Disqualifying Disposition" is any disposition (including any sale) of such Shares before the later of (i) two years after the date the Grantee was granted the Incentive Stock Option, or (ii) one year after the date the Grantee acquired Shares by exercising the Incentive Stock Option. If the Grantee dies before such Shares are sold, these holding period requirements do not apply and no disposition of the Shares will be deemed a Disqualifying Disposition.

9. **102 AWARDS**.

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

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

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

9.3. Eligibility for Awards.

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

9.4. 102 Award Grant Date.

9.4.1. Each 102 Award will be deemed granted on the date determined by the Committee, subject to Section 9.4.2, provided that (i) the Grantee has signed all documents required by the Company or pursuant to Applicable Law, and (ii) with respect to 102 Trustee Award, the Company has provided all applicable documents to the Trustee in accordance with the guidelines published by the ITA.

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

9.5. 102 Trustee Awards.

9.5.1. Each 102 Trustee Award, each Share issued pursuant to the exercise of any 102 Trustee Award, and any rights granted thereunder, including bonus shares, shall be issued to and registered in the name of the Trustee and shall be held in trust for the benefit of the Grantee for the requisite period prescribed by the Ordinance or such longer period as set by the Committee (the "**Required Holding Period**"). In the event that the requirements under Section 102 of the Ordinance to qualify an Award as a 102 Trustee Award are not met, then the Award may be treated as a 102 Non-Trustee Award or 3(9) Award, all in accordance with the provisions of the Ordinance. After termination of the Required Holding Period, the Trustee may release such 102 Trustee Awards and any such Shares, provided that (i) the Trustee has received an acknowledgment from the ITA that the Grantee has paid any applicable taxes due pursuant to the Ordinance, or (ii) the Trustee and/or the Company and/or its Affiliate withholds all applicable taxes and compulsory payments due pursuant to the Ordinance arising from the 102 Trustee Awards and/or any Shares issued upon exercise or (if applicable) vesting of such 102 Trustee Awards. The Trustee shall not release any 102 Trustee Awards or Shares issued upon exercise or (if applicable) vesting thereof prior to the payment in full of the Grantee's tax and compulsory payments arising from such 102 Trustee Awards and/or Shares or the withholding referred to in (ii) above.

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

9.5.3. During the Required Holding Period, the Grantee shall not release from trust or sell, assign, transfer or give as collateral, the Shares issuable upon the exercise or (if applicable) vesting of a 102 Trustee Awards and/or any securities issued or distributed with respect thereto, until the expiration of the Required Holding Period. Notwithstanding the above, if any such sale, release or other action occurs during the Required Holding Period it may result in adverse tax consequences to the Grantee under Section 102 of the Ordinance and the Rules, which shall apply to and shall be borne solely by such Grantee. Subject to the foregoing, the Trustee may, pursuant to a written request from the Grantee, but subject to the terms of this Plan, release and transfer such

Shares to a designated third party, provided that both of the following conditions have been fulfilled prior to such release or transfer: (i) payment has been made to the ITA of all taxes and compulsory payments required to be paid upon the release and transfer of the Shares, and confirmation of such payment has been received by the Trustee and the Company, and (ii) the Trustee has received written confirmation from the Company that all requirements for such release and transfer have been fulfilled according to the terms of the Company's corporate documents, any agreement governing the Shares, this Plan, the Award Agreement and any Applicable Law.

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

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

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

9.7. Israeli Index Base for 102 Awards. Each 102 Award will be subject to the Israeli index base of the Value of Benefit, as defined in Section 102(a) of the Ordinance, as determined by the Committee in its discretion, pursuant to the Rules, from time to time. The Committee may amend (which may have a retroactive effect) the Israeli index base, pursuant to the Ordinance, without the Grantee's consent.

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

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

9.8.2. The Grantee is familiar with, and understand the provisions of, Section 102 of the Ordinance in general, and the tax arrangement under the "Capital Gain Track" or the "Ordinary Income Track" in particular, and its tax consequences; the Grantee agrees that the Awards and

Shares that may be issued upon exercise or (if applicable) vesting of the Awards (or otherwise in relation to the Awards), will be held by a trustee appointed pursuant to Section 102 of the Ordinance for at least the duration of the "Holding Period" (as such term is defined in Section 102) under the "Capital Gain Track" or the "Ordinary Income Track", as applicable. The Grantee understands that any release of such Awards or Shares from trust, or any sale of the Share prior to the termination of the Holding Period, as defined above, will result in taxation at marginal tax rate, in addition to deductions of appropriate social security, health tax contributions or other compulsory payments; and

9.8.3. The Grantee agrees to the trust deed signed between the Company, his employing company and the trustee appointed pursuant to Section 102 of the Ordinance.

10. **3(9) AWARDS**.

Awards granted pursuant to this Section 10 are intended to constitute 3(9) Awards and shall be granted subject to the general terms and conditions specified in Section 6 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Awards under different tax laws or regulations. In the event of any inconsistency or contradictions between the provisions of this Section 10 and the other terms of this Plan, this Section 10 shall prevail.

10.1. To the extent required by the Ordinance or the ITA or otherwise deemed by the Committee to be advisable, the 3(9) Awards and/or any shares or other securities issued or distributed with respect thereto granted pursuant to this Plan shall be issued to a Trustee nominated by the Committee in accordance with the provisions of the Ordinance. In such event, the Trustee shall hold such Awards and/or any shares or other securities issued or distributed with respect thereto in trust, until exercised or (if applicable) vested by the Grantee and the full payment of tax arising therefrom, pursuant to the Company's instructions from time to time as set forth in a trust agreement, which will have been entered into between the Company and the Trustee. If determined by the Board or the Committee, and subject to such trust agreement, the Trustee shall be responsible for withholding any taxes to which a Grantee may become liable upon issuance of Shares, whether due to the exercise or (if applicable) vesting of Awards.

10.2. Shares pursuant to a 3(9) Award shall not be issued, unless the Grantee delivers to the Company payment in cash or by bank check or such other form acceptable to the Committee of all withholding taxes due, if any, on account of the Grantee acquired Shares under the Award or gives other assurance satisfactory to the Committee of the payment of those withholding taxes.

11. **RESTRICTED SHARES**.

The Committee may award Restricted Shares to any eligible Grantee, including under Section 102 of the Ordinance. Each Award of Restricted Shares under this Plan shall be evidenced by a written agreement between the Company and the Grantee (the "**Restricted Share Agreement**"), in such form as the Committee shall from time to time approve. The Restricted Shares shall be subject to all applicable terms of this Plan, which in the case of Restricted Shares granted under Section 102 of the Ordinance shall include Section 9 hereof, and may be subject to any other terms that are not inconsistent with this Plan. The provisions of the various Restricted Shares Agreements entered into under this Plan need not be identical. The Restricted Share Agreement shall comply with and be subject to Section 6 and the following terms and conditions, unless otherwise specifically provided in such Agreement and not inconsistent with this Plan, or Applicable Law:

11.1. Purchase Price. Section 6.4 shall not apply. Each Restricted Share Agreement shall state an amount of Exercise Price to be paid by the Grantee, if any, in consideration for the issuance of the Restricted Shares and the terms of payment thereof, which may include, payment in cash or by issuance

of promissory notes or other evidence of indebtedness on such terms and conditions as determined by the Committee.

11.2. Restrictions. Restricted Shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution (in which case they shall be transferred subject to all restrictions then or thereafter applicable thereto), until such Restricted Shares shall have vested (the period from the date on which the Award is granted until the date of vesting of the Restricted Share thereunder being referred to herein as the "**Restricted Period**"). The Committee may also impose such additional or alternative restrictions and conditions on the Restricted Shares, as it deems appropriate, including the satisfaction of performance criteria. Such performance criteria may include, but are not limited to, sales, earnings before interest and taxes, return on investment, earnings per share, any combination of the foregoing or rate of growth of any of the foregoing, as determined by the Committee or pursuant to the provisions of any Company policy required under mandatory provisions of Applicable Law. Certificates for shares issued pursuant to Restricted Share Awards shall bear an appropriate legend referring to such restrictions, and any attempt to dispose of any such shares in contravention of such restrictions shall be null and void and without effect. Such certificates may, if so determined by the Committee, be held in escrow by an escrow agent appointed by the Committee, or, if a Restricted Share Award is made pursuant to Section 102 of the Ordinance, by the Trustee. In determining the Restricted Period of an Award the Committee may provide that the foregoing restrictions shall lapse with respect to specified percentages of the awarded Restricted Shares on successive anniversaries of the date of such Award. To the extent required by the Ordinance or the ITA, the Restricted Shares issued pursuant to Section 102 of the Ordinance shall be issued to the Trustee in accordance with the provisions of the Ordinance and the Restricted Shares shall be held for the benefit of the Grantee for such period as may be required by the Ordinance.

11.3. Forfeiture; Repurchase. Subject to such exceptions as may be determined by the Committee, if the Grantee's continuous employment with or service to the Company or any Affiliate thereof shall terminate for any reason prior to the expiration of the Restricted Period of an Award or prior to the timely payment in full of the Exercise Price of any Restricted Shares, any Shares remaining subject to vesting or with respect to which the purchase price has not been paid in full, shall thereupon be forfeited, transferred to, and redeemed, repurchased or cancelled by, as the case may be, in any manner as set forth in Section 6.6.2(i) thought (v), subject to Applicable Laws and the Grantee shall have no further rights with respect to such Restricted Shares.

11.4. Ownership. During the Restricted Period the Grantee shall possess all incidents of ownership of such Restricted Shares, subject to Section 6.10 and Section 11.2, including the right to vote and receive dividends with respect to such Shares. All securities, if any, received by a Grantee with respect to Restricted Shares as a result of any stock split, stock dividend, combination of shares, or other similar transaction shall be subject to the restrictions applicable to the original Award.

12. RESTRICTED SHARE UNITS.

An RSU is an Award covering a number of Shares that is settled, if vested and (if applicable) exercised, by issuance of those Shares. An RSU may be awarded to any eligible Grantee, including under Section 102 of the Ordinance, provided that, to the extent required by Applicable Laws, a specific ruling is obtained from the ITA to grant RSUs as 102 Trustee Awards. The Award Agreement relating to the grant of RSUs under this Plan (the "**Restricted Share Unit Agreement**"), shall be in such form as the Committee shall from time to time approve. The RSUs shall be subject to all applicable terms of this Plan, which in the case of RSUs granted under Section 102 of the Ordinance shall include Section 9 hereof, and may be subject to any other terms that are not inconsistent with this Plan. The provisions of the various Restricted Share Unit Agreements entered into under this Plan need not be identical. RSUs may be granted in consideration of a reduction in the recipient's other compensation.

12.1. Exercise Price. No payment of Exercise Price shall be required as consideration for RSUs, unless included in the Award Agreement or as required by Applicable Law (including, Section 304 of the Companies Law, 1999, as amended), and Section 6.4 shall apply, if applicable.

12.2. Shareholders' Rights. The Grantee shall not possess or own any ownership rights in the Shares underlying the RSUs and no rights as a shareholder shall exist prior to the actual issuance of Shares in the name of the Grantee.

12.3. Settlements of Awards. Settlement of vested RSUs shall be made in the form of Shares. Distribution to a Grantee of an amount (or amounts) from settlement of vested RSUs can be deferred to a date after settlement as determined by the Committee. The amount of a deferred distribution may be increased by an interest factor or by dividend equivalents. Until the grant of RSUs is settled, the number of Shares underlying such RSUs shall be subject to adjustment pursuant hereto.

12.4. Section 409A Restrictions. Notwithstanding anything to the contrary set forth herein, any RSUs granted under this Plan that are not exempt from the requirements of Section 409A of the Code shall contain such restrictions or other provisions so that such RSUs will comply with the requirements of Section 409A of the Code, if applicable to the Company. Such restrictions, if any, shall be determined by the Committee and contained in the Restricted Share Unit Agreement evidencing such RSU. For example, such restrictions may include a requirement that any Shares that are to be issued in a year following the year in which the RSU vests must be issued in accordance with a fixed, pre-determined schedule.

13. OTHER SHARE OR SHARE-BASED AWARDS.

13.1. The Committee may grant other Awards under this Plan pursuant to which Shares (which may, but need not, be Restricted Shares pursuant to Section 11 hereof), cash (in settlement of Share-based Awards) or a combination thereof, are or may in the future be acquired or received, or Awards denominated in stock units, including units valued on the basis of measures other than market value.

13.2. The Committee may also grant stock appreciation rights without the grant of an accompanying option, which rights shall permit the Grantees to receive, at the time of any exercise of such rights, cash equal to the amount by which the Fair Market Value of all Shares in respect to which the right was granted exceed the exercise price thereof.

13.3. Such other Share-based Awards as set forth above may be granted alone, in addition to, or in tandem with any Award of any type granted under this Plan.

14. EFFECT OF CERTAIN CHANGES.

14.1. General. In the event of a divisions or subdivision of the outstanding share capital of the Company, any distribution of bonus shares (stock split), consolidation or combination of share capital of the Company (reverse stock split), reclassification with respect to the Shares or any similar

recapitalization events (each, a "**Recapitalization**"), reorganization (which may include a combination or exchange of shares, spin-off or other corporate divestiture or division, or other similar occurrences) then (i) the number of Shares reserved and available for grants of Awards and (ii) the number of Shares covered by outstanding Awards, , will be proportionately adjusted. Any fractional shares resulting from such adjustment shall be treated as determined by the Committee, and in the absence of such determination shall be rounded to the nearest whole share, and the Company shall have no obligation to make any cash or other payment with respect to such fractional shares. No adjustment shall be made by reason of the distribution of subscription rights or rights offering to outstanding shares or distribution of dividends to outstanding shareholders or other issuance of shares by the Company, unless the Committee determines otherwise. The adjustments determined pursuant to this Section 14.1 (including a

determination that no adjustment is to be made) shall be final, binding and conclusive.

14.2. Merger/Sale of Company. In the event of (i) a sale of all or substantially all of the assets of the Company, or a sale (including an exchange) of all or substantially all of the shares of the Company, to any person, or a purchase by a shareholder of the Company or by an Affiliate of such shareholder, of all the shares of the Company held by all or substantially all other shareholders or by other shareholders who are not Affiliated with such acquiring party; (ii) a merger (including, a reverse merger and a reverse triangular merger), consolidation, amalgamation or like transaction of the Company with or into another corporation; (iii) a scheme of arrangement for the purpose of effecting such sale, merger, consolidation, amalgamation or other transaction; or (iv) such other transaction or set of circumstances that is determined by the Board, in its discretion, to be a transaction subject to the provisions of this Section 14.2; excluding any of the above transactions in clauses (i) through (iii) if the Committee determines that such transaction should be excluded from the definition hereof and the applicability of this Section 14.2 (such transaction, a "**Merger/Sale**"), then, without derogating from the Committee's general authority and power under this Plan, without the Grantee's consent and action and without any prior notice requirement:

14.2.1. Unless otherwise determined by the Committee in its sole and absolute discretion, any Award then outstanding shall be assumed or be substituted by the Company, or by the successor corporation in such Merger/Sale or by any parent or Affiliate thereof, as determined by the Committee in its discretion (the "**Successor Corporation**"), under terms as determined by the Committee or the terms of this Plan applied by the Successor Corporation to such assumed or substituted Awards;

For the purposes of this Section 14.2.1, the Award shall be considered assumed or substituted if, following a Merger/Sale, the Award confers on the holder thereof the right to purchase or receive, for each Share underlying an Award immediately prior to the Merger/Sale, either (i) the consideration (whether stock, cash, or other securities or property, or any combination thereof) distributed to or received by holders of Shares in the Merger/Sale for each Share held on the effective date of the Merger/Sale (and if holders were offered a choice or several types of consideration, the type of consideration as determined by the Committee), or (ii) regardless of the consideration received by the holders of Shares in the Merger/Sale, solely shares or any type of Awards (or their equivalent) of the Successor Corporation at a value to be determined by the Committee in its discretion, or a certain type of consideration (whether stock, cash, or other securities or property, or any combination thereof) as determined by the Committee. Any of the above consideration referred to clauses (i) and (ii) shall be subject to the same vesting and expiration terms of the Awards applying immediately prior to the Merger/Sale, unless the Committee determines in its discretion that the consideration shall be subject to different vesting and expiration terms, or other terms. The foregoing shall not limit the Committee's authority to determine, in its sole discretion, that in lieu of such assumption or substitution of Awards for Awards of the Successor Corporation, such Award will be substituted for any other type of asset or property, including as set forth in Section 14.2.2 hereunder.

14.2.2. Regardless of whether or not Awards are assumed or substituted, the Committee may (but shall not be obligated to), in its sole discretion:

14.2.2.1. provide for the Grantee to have the right to exercise the Award in respect of Shares covered by the Award which would otherwise be exercisable or vested, under such terms and conditions as the Committee shall determine, and the cancellation of all unexercised and unvested Awards upon or immediately prior to the closing of the Merger/Sale, unless the Committee provides for the Grantee to have the right to exercise the Award, or otherwise for the acceleration of vesting of such Award, as to all or part of the Shares covered by the Award which would not otherwise be exercisable or vested, under such terms and conditions as the Committee

shall determine; and/or

14.2.2.2. provide for the cancellation of each outstanding Award at or immediately prior to the closing of such Merger/Sale, and payment to the Grantee of an amount in cash, shares of the Company, the acquiror or of a corporation or other business entity which is a party to the Merger/Sale or other property, as determined by the Committee to be fair in the circumstances, and subject to such terms and conditions as determined by the Committee. The Committee shall have full authority to select the method for determining the payment (being the Black-Scholes model or any other method). The Committee's determination may further provide that payment shall be set to zero if the value of the Shares is determined to be less than the Exercise Price or in respect of Shares covered by the Award which would not otherwise be exercisable or vested, or that payment may be made only in excess of the Exercise Price.

14.2.3. The Committee may determine that any payments made in respect of Awards shall be made or delayed to the same extent that payment of consideration to the holders of the Shares in connection with the Merger/Sale is made or delayed as a result of escrows, indemnification, earn outs, holdbacks or any other contingencies; and the terms and conditions applying to the payment made to the Grantees, including participation in escrow, indemnification, releases, earn-outs, holdbacks or any other contingencies.

14.2.4. Notwithstanding the foregoing, in the event of a Merger/Sale, the Committee may determine, in its sole discretion that upon completion of such Merger/Sale the terms of any Award be otherwise amended, modified or terminated, as the Committee shall deem in good faith to be appropriate and without any liability to the Company or its Affiliates and to their respective its officers, directors, employees and representatives and the respective successors and assigns of any of the foregoing in connection with the method of treatment or chosen course of action permitted hereunder.

14.2.5. Neither the authorities and powers of the Committee under this Section 14.2, nor the exercise or implementation thereof, shall (i) be restricted or limited in any way by any adverse consequences (tax or otherwise) that may result to any holder of an Award, and (ii) as, *inter alia*, being a feature of the Award upon its grant, be deemed to constitute a change or an amendment of the rights of such holder under this Plan, nor shall any such adverse consequences (as well as any adverse tax consequences that may result from any tax ruling or other approval or determination of any relevant tax authority) be deemed to constitute a change or an amendment of the rights of such holder under this Plan, and may be effected without consent of any Grantee and without any liability to the Company or its Affiliates and to their respective its officers, directors, employees and representatives and the respective successors and assigns of any of the foregoing. The Committee need not take the same action with respect to all Awards or with respect to all Service Providers. The Committee may take different actions with respect to the vested and unvested portions of an Award. The Committee may determine an amount or type of consideration to be received or distributed in a Merger/Sale which may differ as among the Grantees, and as between the Grantees and any other holders of shares of the Company.

14.2.6. The Committee's determinations pursuant to this Section 14 shall be conclusive and binding on all Grantees.

14.2.7. If determined by the Committee, the Grantees shall be subject to the definitive agreement(s) in connection with the Merger/Sale as applying to holders of Shares including, such terms, conditions, representations, undertakings, liabilities, limitations, releases, indemnities, participating in transaction expenses and escrow arrangement, in each case as determined by the Committee. Each Grantee shall execute such separate agreement(s) or instruments as may be requested by the Company, the Successor Corporation or the acquiror in connection with such in such Merger/Sale and in the form required by them. The execution of such separate agreement(s)

may be a condition to the receipt of assumed or substituted Awards, payment in lieu of the Award or the exercise of any Award.

14.3. Reservation of Rights. Except as expressly provided in this Section 14 (if any), the Grantee of an Award hereunder shall have no rights by reason of any Recapitalization of shares of any class, any increase or decrease in the number of shares of any class, any dissolution, liquidation, reorganization (which may include a combination or exchange of shares, spin-off or other corporate divestiture or division, or other similar occurrences), Merger/Sale. Any issue by the Company of shares of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number, type or price of shares subject to an Award. The grant of an Award pursuant to this Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structures or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or part of its business or assets or engage in any similar transactions.

15. **NON-TRANSFERABILITY OF AWARDS; SURVIVING BENEFICIARY**.

15.1. All Awards granted under this Plan by their terms shall not be transferable otherwise than by will or by the laws of descent and distribution, unless otherwise determined by the Committee or under this Plan, provided that with respect to Shares issued upon exercise or (if applicable) the vesting of Awards the restrictions on transfer shall be the restrictions referred to in Section 16 (Conditions upon Issuance of Shares) hereof. Subject to the above provisions, the terms of such Award, this Plan and any applicable Award Agreement shall be binding upon the beneficiaries, executors, administrators, heirs and successors of such Grantee. Awards may be exercised or otherwise realized, during the lifetime of the Grantee, only by the Grantee or by his guardian or legal representative, to the extent provided for herein. Any transfer of an Award not permitted hereunder (including transfers pursuant to any decree of divorce, dissolution or separate maintenance, any property settlement, any separation agreement or any other agreement with a spouse) and any grant of any interest in any Award to, or creation in any way of any direct or indirect interest in any Award by, any party other than the Grantee shall be null and void and shall not confer upon any party or person, other than the Grantee, any rights. Notwithstanding the foregoing, upon the request of the Grantee and subject to Applicable Law the Committee, at its sole discretion, may permit the Grantee to transfer the Award to a trust whose beneficiaries are the Grantee and/or the Grantee's immediate family members (all or several of them).

15.2. As long as the Shares are held by the Trustee in favor of the Grantee, all rights possessed by the Grantee over the Shares are personal, and may not be transferred, assigned, pledged or mortgaged, other than by will or laws of descent and distribution.

15.3. The provisions of this Section 15 shall apply to the Grantee and to any purchaser, assignee or transferee of any Shares.

16. **CONDITIONS UPON ISSUANCE OF SHARES; GOVERNING PROVISIONS**.

16.1. Legal Compliance. The grant of Awards and the issuance or Shares upon exercise or settlement of Awards shall be subject to compliance with all Applicable Laws as determined by the Company, including, applicable requirements of federal, state and foreign law with respect to such securities. The Company shall have no obligations to issue Shares pursuant to the exercise or settlement of an Award and Awards may not be exercised or settled, if the issuance of Shares upon exercise or settlement would constitute a violation of any Applicable Laws as determined by the Company, including, applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Shares may then be listed. In addition, no Award may be exercised unless (i) a registration statement under the Securities Act shall at the time of exercise or

settlement of the Award be in effect with respect to the shares issuable upon exercise of the Award, or (ii) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Award may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain authority from any regulatory body having jurisdiction, if any, deemed by the Company to be necessary to the lawful issuance and sale of any Shares hereunder, and the inability to issue Shares hereunder due to non-compliance with any Company policies with respect to the sale of Shares, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority or compliance shall not have been obtained or achieved. As a condition to the exercise of an Award, the Company may require the person exercising such Award to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any Applicable Law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company, including to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares, all in form and content specified by the Company.

16.2. Provisions Governing Shares. Shares issued pursuant to an Award shall be subject to the Articles of Association of the Company, any limitation, restriction or obligation included in any shareholders agreement applicable to all or substantially all of the holders of shares (regardless of whether or not the Grantee is a formal party to such shareholders agreement), any other governing documents of the Company, all policies, manuals and internal regulations adopted by the Company from time to time, in each case, as may be amended from time to time, including any provisions included therein concerning restrictions or limitations on disposition of Shares (such as, but not limited to, right of first refusal and lock up/market stand-off) or grant of any rights with respect thereto, forced sale and bring along provisions, any provisions concerning restrictions on the use of inside information and other provisions deemed by the Company to be appropriate in order to ensure compliance with Applicable Laws. Each Grantee shall execute such separate agreement(s) as may be requested by the Company relating to matters set forth in this Section 16.2. The execution of such separate agreement(s) may be a condition by the Company to the exercise of any Award.

16.3. Forced Sale. In the event the that Board approves a Merger/Sale effected by way of a forced or compulsory sale (whether pursuant to the Company's Articles of Association or pursuant to Section 341 of the Companies Law), then, without derogating from such provisions and in addition thereto, the Grantee shall be obligated, and shall be deemed to have agreed to the offer to effect the Merger/Sale on the terms approved by the Board (and the Shares held by or for the benefit of the Grantee shall be included in the shares of the Company approving the terms of such Merger/Sale for the purpose of satisfying the required majority), and shall sell all of the Shares held by or for the benefit of the Grantee on the terms and conditions applying to the holders of Shares, in accordance with the instructions then issued by the Board, whose determination shall be final. No Grantee shall contest, bring any claims or demands, or exercise any appraisal rights related to any of the foregoing. The proxy pursuant to Section 6.10 includes an authorization of the holder of such proxy to sign, by and on behalf of any Grantee, such documents and agreements as are required to affect the sale of Shares in connection with such Merger/Sale.

17. **MARKET STAND-OFF**

17.1. In connection with any underwritten public offering of equity securities of the Company pursuant to an effective registration statement filed under the Securities Act or equivalent law in another jurisdiction, the Grantee shall not directly or indirectly, without the prior written consent of the Company or its underwriters, (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Shares or other Awards, any securities of the Company

(whether or not such Shares were acquired under this Plan), or any securities convertible into or exercisable or exchangeable (directly or indirectly) for Shares or securities of the Company and any other shares or securities issued or distributed in respect thereto or in substitution thereof (collectively, "**Securities**"), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Securities, whether any such transaction described in clauses (i) or (ii) is to be settled by delivery of Securities, in cash or otherwise. The foregoing provisions of this Section 17.1 shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement. Such restrictions (the "**Market Stand-Off**") shall be in effect for such period of time (the "**Market Stand-Off Period**"): (A) following the first public filing of the registration statement relating to the underwritten public offering until the extirpation of 180 days following the effective date of such registration statement relating to the Company's initial public offering or 90 days following the effective date of such registration statement relating to any other public offering, in each case, provided, however, that if (1) during the last 17 days of the initial Market Stand-Off Period, the Company releases earnings results or announces material news or a material event or (2) prior to the expiration of the initial Market Stand-Off Period, the Company announces that it will release earnings results during the 15-day period following the last day of the initial Market Stand-Off Period, then in each case the Market Stand-Off Period will be automatically extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the announcement of the material news or material event; or (B) such other period as shall be requested by the Company or the underwriters. Notwithstanding anything herein to the contrary, if the underwriter(s) and the Company agree on a termination date of the Market Stand-Off Period in the event of failure to consummation a certain public offering, then such termination shall apply also to the Market Stand-Off Period hereunder with respect to that particular public offering.

17.2. In the event of a subdivision of the outstanding share capital of the Company, the distribution of any securities (whether or not of the Company), whether as bonus shares or otherwise, and whether as dividend or otherwise, a recapitalization, a reorganization (which may include a combination or exchange of shares or a similar transaction affecting the Company's outstanding securities without receipt of consideration), a consolidation, a spin-off or other corporate divestiture or division, a reclassification or other similar occurrence, any new, substituted or additional securities which are by reason of such transaction distributed with respect to any Shares subject to the Market Stand-Off, or into which such Shares thereby become convertible, shall immediately be subject to the Market Stand-Off.

17.3. In order to enforce the Market Stand-Off, the Company may impose stop-transfer instructions with respect to the Shares acquired under this Plan until the end of the applicable Market Stand-Off period.

17.4. The underwriters in connection with a registration statement so filed are intended third party beneficiaries of this Section 17 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. Each Grantee shall execute such separate agreement(s) as may be requested by the Company or the underwriters in connection with such registration statement and in the form required by them, relating to Market Stand-Off (which need not be identical to the provisions of this Section 17, and may include such additional provisions and restrictions as the underwriters deem advisable) or that are necessary to give further effect thereto. The execution of such separate agreement(s) may be a condition by the Company to the exercise of any Award.

17.5. Without derogating from the above provisions of this Section 17 or elsewhere in this Plan, the provisions of this Section 17 shall apply to the Grantee and the Grantee's heirs, legal representatives, successors, assigns, and to any purchaser, assignee or transferee of any Awards or Shares.

18. **AGREEMENT REGARDING TAXES; DISCLAIMER**.

18.1. If the Committee shall so require, as a condition of exercise of an Award, the release of Shares by the Trustee or the expiration of the Restricted Period, a Grantee shall agree that, no later than the date of such occurrence, the Grantee will pay to the Company (or the Trustee, as applicable) or make arrangements satisfactory to the Committee and the Trustee (if applicable) regarding payment of any applicable taxes and compulsory payments of any kind required by Applicable Law to be withheld or paid.

18.2. TAX LIABILITY. ALL TAX CONSEQUENCES UNDER ANY APPLICABLE LAW WHICH MAY ARISE FROM THE GRANT OF ANY AWARDS OR THE EXERCISE THEREOF, THE SALE OR DISPOSITION OF ANY SHARES GRANTED HEREUNDER OR ISSUED UPON EXERCISE OR (IF APPLICABLE) THE VESTING OF ANY AWARD, THE ASSUMPTION, SUBSTITUTION, CANCELLATION OR PAYMENT IN LIEU OF AWARDS OR FROM ANY OTHER ACTION IN CONNECTION WITH THE FOREGOING (INCLUDING WITHOUT LIMITATION ANY TAXES AND COMPULSORY PAYMENTS, SUCH AS SOCIAL SECURITY OR HEALTH TAX PAYABLE BY THE GRANTEE OR THE COMPANY IN CONNECTION THEREWITH) SHALL BE BORNE AND PAID SOLELY BY THE GRANTEE, AND THE GRANTEE SHALL INDEMNIFY THE COMPANY, ITS SUBSIDIARIES AND AFFILIATES AND THE TRUSTEE, AND SHALL HOLD THEM HARMLESS AGAINST AND FROM ANY LIABILITY FOR ANY SUCH TAX OR PAYMENT OR ANY PENALTY, INTEREST OR INDEXATION THEREON. EACH GRANTEE AGREES TO, AND UNDERTAKES TO COMPLY WITH, ANY RULING, SETTLEMENT, CLOSING AGREEMENT OR OTHER SIMILAR AGREEMENT OR ARRANGEMENT WITH ANY TAX AUTHORITY IN CONNECTION WITH THE FOREGOING WHICH IS APPROVED BY THE COMPANY.

18.3. NO TAX ADVISE. THE GRANTEE IS ADVISED TO CONSULT WITH A TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF RECEIVING, EXERCISING OR DISPOSING OF AWARDS HEREUNDER. THE COMPANY DOES NOT ASSUME ANY RESPONSIBILITY TO ADVISE THE GRANTEE ON SUCH MATTERS, WHICH SHALL REMAIN SOLELY THE RESPONSIBILITY OF THE GRANTEE.

18.4. TAX TREATMENT. THE COMPANY DOES NOT UNDERTAKE OR ASSUME ANY LIABILITY OR RESPONSIBILITY TO THE EFFECT THAT ANY AWARD SHALL QUALIFY WITH ANY PARTICULAR TAX REGIME OR RULES APPLYING TO PARTICULAR TAX TREATMENT, OR BENEFIT FROM ANY PARTICULAR TAX TREATMENT OR TAX ADVANTAGE OF ANY TYPE AND THE COMPANY SHALL BEAR NO LIABILITY IN CONNECTION WITH THE MANNER IN WHICH ANY AWARD IS EVENTUALLY TREATED FOR TAX PURPOSES, REGARDLESS OF WHETHER THE AWARD WAS GRANTED OR WAS INTENDED TO QUALIFY UNDER ANY PARTICULAR TAX REGIME OR TREATMENT. THIS PROVISION SHALL SUPERSEDE ANY TYPE OF AWARDS OR TAX QUALIFICATION INDICATED IN ANY CORPORATE RESOLUTION OR AWARD AGREEMENT, WHICH SHALL AT ALL TIMES BE SUBJECT TO THE REQUIREMENTS OF APPLICABLE LAW. THE COMPANY DOES NOT UNDERTAKE AND SHALL NOT BE REQUIRED TO TAKE ANY ACTION IN ORDER TO QUALIFY THE AWARD WITH THE REQUIREMENT OF ANY PARTICULAR TAX TREATMENT AND NO INDICATION IN ANY DOCUMENT TO THE EFFECT THE ANY AWARD IS INTENDED TO QUALIFY FOR ANY TAX TREATMENT SHALL IMPLY SUCH AN UNDERTAKING. NO ASSURANCE IS MADE BY THE COMPANY OR ANY OF ITS AFFILIATES THAT ANY PARTICULAR TAX TREATMENT ON THE DATE OF GRANT WILL CONTINUE TO EXIST OR THAT THE AWARD WOULD QUALIFY AT THE TIME OF EXERCISE OR DISPOSITION THEREOF WITH ANY PARTICULAR TAX TREATMENT. THE COMPANY AND ITS AFFILIATES SHALL NOT HAVE ANY LIABILITY OR OBLIGATION OF ANY NATURE IN THE EVENT THAT AN AWARD DOES NOT QUALIFY FOR ANY PARTICULAR TAX

TREATMENT, REGARDLESS WHETHER THE COMPANY COULD HAVE OR SHOULD HAVE TAKEN ANY ACTION TO CAUSE SUCH QUALIFICATION TO BE MET AND SUCH QUALIFICATION REMAINS AT ALL TIMES AND UNDER ALL CIRCUMSTANCES AT THE RISK OF THE GRANTEE. THE COMPANY DOES NOT UNDERTAKE OR ASSUME ANY LIABILITY TO CONTEST A DETERMINATION OR INTERPRETATION (WHETHER WRITTEN OR UNWRITTEN) OF ANY TAX AUTHORITIES, INCLUDING IN RESPECT OF THE QUALIFICATION UNDER ANY PARTICULAR TAX REGIME OR RULES APPLYING TO PARTICULAR TAX TREATMENT. IF THE AWARDS DO NOT QUALIFY UNDER ANY PARTICULAR TAX TREATMENT IT COULD RESULT IN ADVERSE TAX CONSEQUENCES TO THE GRANTEE.

18.5. The Company or any Subsidiary or Affiliate may take such action as it may deem necessary or appropriate, in its discretion, for the purpose of or in connection with withholding of any taxes and compulsory payments which the Trustee, the Company or any Subsidiary or Affiliate is required by any Applicable Law to withhold in connection with any Awards (collectively, "**Withholding Obligations**"). Such actions may include (i) requiring a Grantees to remit to the Company in cash an amount sufficient to satisfy such Withholding Obligations and any other taxes and compulsory payments, payable by the Company in connection with the Award or the exercise or (if applicable) the vesting thereof; (ii) subject to Applicable Law, allowing the Grantees to provide Shares to the Company, in an amount that at such time, reflects a value that the Committee determines to be sufficient to satisfy such Withholding Obligations; (iii) withholding Shares otherwise issuable upon the exercise of an Award at a value which is determined by the Committee to be sufficient to satisfy such Withholding Obligations; or (iv) any combination of the foregoing. The Company shall not be obligated to allow the exercise of any Award by or on behalf of a Grantee until all tax consequences arising from the exercise of such Award are resolved in a manner acceptable to the Company.

18.6. Each Grantee shall notify the Company in writing promptly and in any event within ten (10) days after the date on which such Grantee first obtains knowledge of any tax bureau inquiry, audit, assertion, determination, investigation, or question relating in any manner to the Awards granted or received hereunder or Shares issued thereunder and shall continuously inform the Company of any developments, proceedings, discussions and negotiations relating to such matter, and shall allow the Company and its representatives to participate in any proceedings and discussions concerning such matters. Upon request, a Grantee shall provide to the Company any information or document relating to any matter described in the preceding sentence, which the Company, in its discretion, requires.

18.7. With respect to 102 Non-Trustee Options, if the Grantee ceases to be employed by the Company or any Affiliate, the Grantee shall extend to the Company and/or its Affiliate with whom the Grantee is employed a security or guarantee for the payment of taxes due at the time of sale of Shares, all in accordance with the provisions of Section 102 of the Ordinance and the Rules.

18.8. For the purpose hereof "tax(es)" means (a) all federal, state, local or foreign taxes, charges, fees, imposts, levies or other assessments, including all income, capital gains, transfer, withholding, payroll, employment, social security, national security, health tax, wealth surtax, stamp, registration and estimated taxes, customs duties, fees, assessments and charges of any similar kind whatsoever (including under Section 280G of the Code), (b) all interest, indexation differentials, penalties, fines, additions to tax or additional amounts imposed by any taxing authority in connection with any item described in clause (a), (c) any transferee or successor liability in respect of any items described in clauses (a) or (b) payable by reason of contract, assumption, transferee liability, successor liability, operation of Applicable Law, or as a result of any express or implied obligation to assume Taxes or to indemnify any other person, and (d) any liability for the payment of any amounts of the type described in clause (a) or (b) payable as a result of being a member of an affiliated, consolidated, combined, unitary or

aggregate group for any taxable period, including under U.S. Treasury Regulations Section 1.1502-6(a) (or any predecessor or successor thereof of any analogous or similar provision under Law) or otherwise.

19. **RIGHTS AS A SHAREHOLDER; VOTING AND DIVIDENDS**.

19.1. Subject to Section 11.4, a Grantee shall have no rights as a shareholder of the Company with respect to any Shares covered by an Award until the Grantee shall have exercised the Award, paid the Exercise Price therefor and becomes the record holder of the subject Shares. In the case of 102 Awards or 3(9) Awards (if such Awards are being held by a Trustee), the Trustee shall have no rights as a shareholder of the Company with respect to the Shares covered by such Award until the Trustee becomes the record holder for such Shares for the Grantee's benefit, and the Grantee shall not be deemed to be a shareholder and shall have no rights as a shareholder of the Company with respect to the Shares covered by the Award until the date of the release of such Shares from the Trustee to the Grantee and the transfer of record ownership of such Shares to the Grantee (provided however that the Grantee shall be entitled to receive from the Trustee any cash dividend or distribution made on account of the Shares held by the Trustee for such Grantee's benefit, subject to any tax withholding and compulsory payment). No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distribution of other rights for which the record date is prior to the date on which the Grantee or Trustee (as applicable) becomes the record holder of the Shares covered by an Award, except as provided in Section 14 hereof.

19.2. With respect to all Awards issued in the form of Shares hereunder or upon the exercise or (if applicable) the vesting of Awards hereunder, any and all voting rights attached to such Shares shall be subject to Section 6.9, and the Grantee shall be entitled to receive dividends distributed with respect to such Shares, subject to the provisions of the Company's Articles of Association, as amended from time to time, and subject to any Applicable Law.

19.3. The Company may, but shall not be obligated to, register or qualify the sale of Shares under any applicable securities law or any other Applicable Law.

20. **NO REPRESENTATION BY COMPANY**.

By granting the Awards, the Company is not, and shall not be deemed as, making any representation or warranties to the Grantee regarding the Company, its business affairs, its prospects or the future value of its Shares. The Company shall not be required to provide to any Grantee any information, documents or material in connection with the Grantee's considering an exercise of an Award. To the extent that any information, documents or materials are provided, the Company shall have no liability with respect thereto. Any decision by a Grantee to exercise an Award shall solely be at the risk of the Grantee.

21. **NO RETENTION RIGHTS**.

Nothing in this Plan, any Award Agreement or in any Award granted or agreement entered into pursuant hereto shall confer upon any Grantee the right to continue in the employ of, or be in the service of the Company or any Subsidiary or Affiliate thereof as a Service Provider or to be entitled to any remuneration or benefits not set forth in this Plan or such agreement, or to interfere with or limit in any way the right of the Company or any such Subsidiary or Affiliate to terminate such Grantee's employment or service (including, any right of the Company or any of its Affiliates to immediately cease the Grantee's employment or service or to shorten all or part of the notice period, regardless of whether notice of termination was given by the Company or its Affiliates or by the Grantee). Awards granted under this Plan shall not be affected by any change in duties or position of a Grantee, subject to Sections 6.6 through 6.8. No Grantee shall be entitled to claim and the Grantee hereby waives any claim against the Company or any Subsidiary or Affiliate that he or she was prevented from continuing to vest Awards as of the date

of termination of his or her employment with, or services to, the Company or any Subsidiary or Affiliate. No Grantee shall be entitled to any compensation in respect of the Awards which would have vested had such Grantee's employment or engagement with the Company (or any Subsidiary or Affiliate) not been terminated.

22. **PERIOD DURING WHICH AWARDS MAY BE GRANTED.**

Awards may be granted pursuant to this Plan from time to time within a period of ten (10) years from the Effective Date, which period may be extended from time to time by the Board. From and after such date (as extended) no grants of Awards may be made and this Plan shall continue to be in full force and effect with respect to Awards or Shares issued thereunder that remain outstanding.

23. **AMENDMENT OF THIS PLAN**.

23.1. The Board at any time and from time to time may suspend, terminate, modify or amend this Plan, whether retroactively or prospectively. Any amendment effected in accordance with this Section shall be binding upon all Grantees and all Awards, whether granted prior to or after the date of such amendment, and without the need to obtain the consent of any Grantee. No termination or amendment of this Plan shall affect any then outstanding Award unless expressly provided by the Board.

23.2. Subject to changes in Applicable Law that would permit otherwise, without the approval of the Company's shareholders, there shall be (i) no increase in the maximum aggregate number of Shares that may be issued under this Plan as Incentive Stock Options (except by operation of the provisions of Section 14.1), (ii) no change in the class of persons eligible to receive Incentive Stock Options, and (iii) no other amendment of this Plan that would require approval of the Company's shareholders under any Applicable Law. Unless not permitted by Applicable Law, if the grant of an Award is subject to approval by shareholders, the date of grant of the Award shall be determined as if the Award had not been subject to such approval. Failure to obtain approval by the shareholders shall not in any way derogate from the valid and binding effect of any grant of an Award, which is not an Incentive Stock Option. Upon approval of an amendment to this Plan by the shareholders of the Company as set forth above, all Incentive Stock Options granted under this Plan on or after such amendment shall be fully effective as if the shareholders of the Company had approved the amendment on the same date.

24. **APPROVAL**.

24.1. This Plan shall take effect upon its adoption by the Board (the "**Effective Date**").

24.2. Solely with respect to grants of Incentive Stock Options, this Plan shall also be subject to shareholders' approval, within one year of the Effective Date, by the required majority (however, if the grant of an Award is subject to approval by shareholders, the date of grant of the Award shall be determined as if the Award had not been subject to such approval). Failure to obtain approval by the shareholders shall not in any way derogate from the valid and binding effect of any grant of an Award, which is not an Incentive Stock Option. Upon approval of this Plan by the shareholders of the Company as set forth above, all Incentive Stock Options granted under this Plan on or after the Effective Date shall be fully effective as if the shareholders of the Company had approved this Plan on the Effective Date.

24.3. 102 Awards are conditional upon the filing with or approval by the ITA, if required, as set forth in Section 9.49. Failure to so file or obtain such approval shall not in any way derogate from the valid and binding effect of any grant of an Award, which is not an 102 Award.

25. **RULES PARTICULAR TO SPECIFIC COUNTRIES; SECTION 409A**.

25.1. Notwithstanding anything herein to the contrary, the terms and conditions of this Plan

may be supplemented or amended with respect to a particular country or tax regime by means of an appendix to this Plan, and to the extent that the terms and conditions set forth in any appendix conflict with any provisions of this Plan, the provisions of such appendix shall govern. Terms and conditions set forth in such appendix shall apply only to Awards granted to Grantees under the jurisdiction of the specific country or such other tax regime that is the subject of such appendix and shall not apply to Awards issued to a Grantee not under the jurisdiction of such country or such other tax regime. The adoption of any such appendix shall be subject to the approval of the Board or the Committee, and if determined by the Committee to be required in connection with the application of certain tax treatment, pursuant to applicable stock exchange rules or regulations or otherwise, then also the approval of the shareholders of the Company at the required majority.

25.2. The Company intends that this Plan comply with Section 409A of the Code, including any amendments or replacements of such section, and this Plan shall be so construed. To the extent applicable, this Plan and any agreement hereunder shall be interpreted in accordance with Section 409A of the Code. Notwithstanding any provision of this Plan to the contrary, in the event that, following the Effective Date, the Board determines that any Award may be subject to Section 409A of the Code, the Board may adopt such amendments to this Plan and such agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Board determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award or (b) comply with the requirements of Section 409A of the Code.

26. **GOVERNING LAW; JURISDICTION**.

This Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of Israel, except with respect to matters that are subject to tax laws, regulations and rules of any specific jurisdiction, which shall be governed by the respective laws, regulations and rules of such jurisdiction. Certain definitions, which refer to laws other than the laws of such jurisdiction, shall be construed in accordance with such other laws. The competent courts located in Tel-Aviv-Jaffa, Israel shall have exclusive jurisdiction over any dispute arising out of or in connection with this Plan and any Award granted hereunder. By signing any Award Agreement or any other agreement relating to an Award, each Grantee irrevocably submits to such exclusive jurisdiction.

27. **NON-EXCLUSIVITY OF THIS PLAN**.

The adoption of this Plan shall not be construed as creating any limitations on the power or authority of the Company to adopt such other or additional incentive or other compensation arrangements of whatever nature as the Company may deem necessary or desirable or preclude or limit the continuation of any other plan, practice or arrangement for the payment of compensation or fringe benefits to employees generally, or to any class or group of employees, which the Company or any Affiliate now has lawfully put into effect, including any retirement, pension, savings and stock purchase plan, insurance, death and disability benefits and executive short-term or long-term incentive plans.

28. **MISCELLANEOUS**.

28.1. Survival. The Grantee shall be bound by and the Shares issued upon exercise or (if applicable) the vesting of any Awards granted hereunder shall remain subject to this Plan after the exercise or (if applicable) the vesting of Awards, in accordance with the terms of this Plan, whether or not the Grantee is then or at any time thereafter employed or engaged by the Company or any of its Affiliates.

28.2. Additional Terms. Each Award awarded under this Plan may contain such other terms and conditions not inconsistent with this Plan as may be determined by the Committee, in its sole

discretion.

28.3. Fractional Shares. No fractional Share shall be issuable upon exercise or vesting of any Award and the number of Shares to be issued shall be rounded down to the nearest whole Share, with in any Share remaining at the last vesting date due to such rounding to be issued upon exercise at such last vesting date.

28.4. Severability. If any provision of this Plan, any Award Agreement or any other agreement entered into in connection with an Award shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction. In addition, if any particular provision contained in this Plan, any Award Agreement or any other agreement entered into in connection with an Award shall for any reason be held to be excessively broad as to duration, geographic scope, activity or subject, it shall be construed by limiting and reducing such provision as to such characteristic so that the provision is enforceable to fullest extent compatible with Applicable Law as it shall then appear.

28.5. Captions and Titles. The use of captions and titles in this Plan or any Award Agreement or any other agreement entered into in connection with an Award is for the convenience of reference only and shall not affect the meaning or interpretation of any provision of this Plan or such agreement.

* * *

Exhibit 10.3

[UNOFFICIAL TRANSLATION INTO ENGLISH]

COMPENSATION POLICY

Brainsway Ltd. ("**the Company**")

1. **General**

1.1. This document constitutes the compensation policy for officers as per the definition thereof in article 267(A) of The Companies Law - 1999 ("**The Companies Law**").

1.2. The purpose of this document is the determination of guidelines for the manner of the compensation of officers in the Company, taking into account principles which will enable preservation of a proper balance between the desire to compensate an officer for his performance, to recruit, to incentivize and to preserve quality officers for the long term, and between the needs to ensure that the compensation structure accords with the business strategy of the Company, its goals and its performance over time, taking into account, inter alia, the risk management policy of the Company.

1.3. The Company determines its compensation policy for officers, amongst other things, according to the following considerations:

1.3.1. Promotion of the aims of the Company, its work plan and with emphasis on long term policy aspects.

1.3.2. Proper incentives for officers taking into account its risk management policy.

1.3.3. The Company's current stage, size, nature and scope of activity.

1.3.4. With regard to variable components - the contribution of the officer to the achievement of the aims of the Company and maximization of its profits, with a long term view and in accordance with the position of the officer.

1.3.5. The financial position or the share price of the Company.

1.4. It is emphasized that this policy does not grant any of the current and future officers in the Company a right to receive any compensation specified in this compensation policy. The compensation to which a current or future officer shall be entitled, shall be under the specific terms determined for him and approved by the organs authorized therefore without any event by the Company and subject to the provisions of applicable law.

1.5. It is emphasized that the compensation policy determines ceilings for the various compensation components and accordingly in the event that an officer receives compensation which is lower than the policy compensation, this shall not be deemed as deviation or departure from the compensation policy of the Company

and approval of the general assembly therefor shall not be required, as is required in an instance of the approval of the terms of service and employment which deviate from the compensation policy.

1.6. This compensation policy applies to all officers in the Company, which as of the date of adoption of the policy include the chairman of the Board of Directors, the directors, the CEO, officers directly subordinate to the CEO, including officers in subsidiaries incorporated in Israel and outside of Israel, who are considered officers in the Company, as per the definition of this term in The Companies Law.

2. **Components of the Compensation Package**

2.1. The comprehensive compensation of the officers in the Company will be comprised of a number of compensation components (all of them or part thereof):

2.1.1. Basic wage or salary.

2.1.2. Social and ancillary benefits - these include, inter alia, pension savings, managers insurance, provision for severance pay, loss of work capacity insurance, vacation, sick pay, recuperation pay, travel expenses, continuing education fund, provision of a vehicle for fulfillment of function, holiday gifts, participation in welfare and leisure activities customary for all employees of the Company, communications and periodicals, and membership fees in professional associations, participation in professional workshops, professional literature, professional liability insurance, annual medical examination, and all as shall be customary at the Company from time to time.

2.1.3 Exemption, indemnification and insurance for officers.

2.1.4 Variable performance based compensation - cash grant (hereinafter: "**annual grant**")

2.1.5 Variable compensation - capital.

2.1.6 Special grants.

2.1.7 Termination of service arrangement - compensation, advance notice, adaptation grant or any other benefit provided to officers in connection with termination of their position in the Company.

2.2 Definitions

2.2.1 "**Base wage**" or "**salary/monthly salary**" - gross monthly wage.

2.2.2. "**Cost of wage**" - basic wage together with social and ancillary benefits in terms of costs to the employer.

2.2.3 "**Compensation** package" - total cost of compensation as stated in clause 2.1 in terms of costs to employer, including cost of wage, annual grant and equity compensation in terms of average value per year of maturity.

2.2.4 "**Officer**" - as per the definition thereof in The Companies Law.

3. **Manner of Determination of Compensation**

The terms of the position and the employment of an officer at the Company shall be determined and approved, inter alia, taking into account and considering the following principles:

3.1 The education, skills, expertise, professional experience and achievements of the officer and their suitability to the needs of the Company and its business strategy.

3.2 The position of the officer, the scope of his responsibility and previous wage agreements with him.

3.3 Internal comparison - a comparison of the compensation of the officer to that of the other employees of the Company -

In determining the terms of service and employment of an officer, the Company shall examine the average and median cost of wage of the other employees of the Company (including contractor employees, as relevant) and the influence of gaps between the average and median cost of wage of the terms in question, upon the work relations of the Company.

3.4 The following table expresses the mix of components of compensation in a manner which describes the possible range of proportion between a fixed component of compensation in annual terms and between variable components of compensation in annual terms:

Position	Minimal cost of fixed compensation(per gross wage)	Maximum cost of variable compensation (monetary and capital[1])
Chairman of the Board of Directors	100%	
CEO	30-100%	0-70%
Other officers in Israel directly subordinates to the CEO	40-100%	0-60%

1 Equity Compensation - In accordance with its value at the time of the granting.

4. **Base Wage**

4.1 The base wage expresses the skills of the employee, his experience, the knowledge he brings with him to the position, expertise in the field, education, professional qualifications attained and so forth, taking into account the scope of responsibility imposed upon him and the demands of the position demanded from him.

4.2 The base wage of an officer will be determined in negotiations for his employment at the Company, taking into account the considerations and parameters set forth in Clause 3 above.

4.3 With regard to officers whose place of work is in Israel ("**officers in Israel**") the compensation policy of the Company determines that:

4.3.1 The monthly wage of the chairman of the Board of Directors in the Company shall not exceed NIS 75,000 (for full-time position). The monthly wage shall be reduced in a linear manner in the case of a reduction in the scope of the position.

4.3.2 The monthly wage of the CEO of the Company shall not exceed NIS 85,000.

4.3.3 The monthly wage of other officers in the Company who are direct subordinates to the CEO, shall not exceed NIS 65,000.

5. **Social and Ancillary Conditions**

5.1 In addition to the wage specified in Clause 4 above, the Company shall be entitled, upon the approval of the compensation committee and the Board of Directors, to grant to its officers social and ancillary benefits as required by law, or are customary amongst officers in the market and at a level suitable to their position and the size of the Company, its financial state and the scope of its activity, and including (and without detracting from the generality of that stated above: provision for pension fund and managers insurance, severance pay, loss of work capacity insurance, provision for continuing education fund, vehicle (including vehicle expenses and bearing of the tax costs), communications expenses (telephone, internet, periodicals and so forth), professional association membership fees (attorney, CPA and so forth), participation in welfare and leisure activities customary for all employees of the Company, participation in professional workshops, professional literature, professional liability insurance. Annual medical examination, recuperation fees, sick pay, annual vacation (up to a ceiling of 22 days per annum) holiday gifts and so forth.

5.2 **Accumulation of Vacation Days -** officers in the Company shall be entitled to accumulate vacation days up to a period of two years only. An officer who has not utilized his vacation days in respect of the years prior to the years accumulated, the surplus days shall be erased.

5.3 **Refund of Expenses** - all of the officers in the Company shall be entitled to a refund of expenses reasonably expended in practice in the framework of their function, including expenses for participation in meetings, overseas travel, per diem accommodation expenses and reasonable expenses for relocation outside of Israel, and this against presentation of receipts. The Company shall be entitled to pay in advance the expenses of officers by means of a credit card. Refund of expenses in the event of overseas travel shall be carried out in accordance with the procedures of the Company, with ceilings for such expenses determined in the procedures.

5.4 **Miscellaneous** - the Company is entitled to grant additional ancillary conditions to its officers as shall be customary from time to time for the remainder of the employees of the Company.

6. **Exemption, Indemnification, and Insurance**

6.1 **Exemption Deeds for Officers** - the Company shall be entitled to grant to any officer in the Company, including controlling interests and their relations, deeds of exemption as shall be approved by the authorized organs in the Company, and provided that the exemption shall not apply to a resolution or a transaction in which the controlling interest or any officer in the Company (also some other officer for whom an exemption was issued) has a personal interest in.

6.2 **Deeds of Indemnification for Officers** - the Company shall be entitled to grant to any officer in the Company deeds of indemnification, in the broadest possible manner permitted at law and as shall be approved by the authorized organs in the Company.

6.3 **Officers Insurance** - without detracting from the generality of that stated above, the Company shall be entitled at any time during the course of this compensation policy, to purchase from time to time liability insurance for officers (including run-off type policies), which shall insure the liability of directors and officers serving and who shall serve form time to time in the Company and its subsidiaries during such periods. When the engagement as stated may be by way of extension of a terminating policy, while changing its conditions, and provided that the engagement shall be on the basis of the principles specified below (in this Clause "**Principles to Engagement**") and shall not deviate from the material conditions included in the principles for engagement as stated. The following are the principles for engagement:

6.3.1 With regard to a "claims made" type officer's insurance policy:

6.3.1.1 The limit of liability of the insurer in the framework of a policy purchased as mentioned shall not exceed $25,000,000 in respect of one claim or cumulatively

under the policy, and coverage of reasonable legal expenses for claims submitted in Israel and outside of Israel, as customary.

6.3.1.2 The annual insurance fees which shall be paid by the Company for any one year of insurance, shall not exceed a total of $100,000.

6.3.1.3 The amount of the deductible which shall be determined in any policy purchased as stated shall not deviate from that customary in the market for insurance policies of the type and the scope and at the time of the engagement in the policy.

6.3.2 With regard to “run-off” type policies.

6.3.2.1 The limit of liability of the insurer in the framework of a policy purchased as mentioned shall not exceed $25,000,000 in respect of one claim or cumulatively under the policy, and coverage of reasonable legal expenses for claims submitted in Israel and outside of Israel, as customary.

6.3.2.2 The insurance fees which shall be paid by the Company for a run-off insurance period of seven years, shall not exceed a total of $100,000.

6.3.2.3 The amount of the deductible which shall be determined in any policy purchased as stated shall not deviate from that customary in the market for insurance policies of the type and the scope and at the time of the engagement in the policy.

6.3.3 It is clarified that such extent of the Company shall be registered for trading overseas, it shall be entitled to increase the limits of liability of the insurer such that the limit of liability in the framework of each policy purchased shall not exceed $40,000,000 per claim or cumulatively under the policy, and coverage for reasonable legal expenses for claims submitted in Israel and outside of Israel, as customary.

7. **Advanced Notice**

7.1 The compensation committee and the Board of Directors shall be entitled to determine a period of advanced notice for officers in Israel up to a ceiling of two months in the first year of engagement and four months in subsequent years.

7.2 During the course of the advanced notice period, the officer shall be required to continue to fulfill his position and shall be entitled to continuation of all of the terms of his position and employment without change, save if the Board of Directors shall resolve to release him from this obligation.

8. **Annual Grant - Cash (Bonus)**

8.1 The compensation policy of the Company is based, inter alia, on the principle that the comprehensive compensation of an officer at the Company must be influenced

by the business results of the Company and his personal contribution to the achievement of the strategic targets of the Company.

8.2. Accordingly, the Company shall be entitled to grant to the CEO and to officers directly subordinate to the CEO, an annual grant (bonus) on the basis of their fulfillment of performance targets as determined for them, in accordance with the annual grant program which shall be approved by the compensation committee of the Board of Directors of the Company each year.

8.3 Threshold Conditions

The entitlement to an annual grant for an officer is subject to fulfillment of cumulative preconditions which shall be calculated on the basis of the reports of the Company, as follows:

8.3.1 Annual operating profit or loss which shall not be less than or exceed (respectively) the rate of operating profit or loss determined in the work plan approved by the Board of Directors of the Company at the start of the year.

8.3.2 The Company does not have negative cash flow or other circumstances which endanger its ability to meet its liabilities over the course of the following 24 months (after calculation of the grant.)

8.3.3 In a year in which the cumulative conditions are not fulfilled, annual grants shall not be distributed to officers.

8.4 The targets used for calculation of the annual grant for each officer and their proportional weight.

8.4.1 **Determination of Targets and the Achievement Thereof**

The targets will be determined annually by the compensation committee and approved by the Board of Directors. The compensation committee will consult with the CEO in establishing personal targets and will receive information from him for examination of achievement by the officers of the targets. In the framework of the annual report for the previous year, the Company shall publish the criteria under which the grants for the current year will be determined without details of the quantitative target entitling to a grant. To such extent as a grant shall be paid in respect of fulfillment of targets, the Company shall report in the framework of the periodic report, the scope of the achievement of the targets and the manner of calculation of the annual grant which was paid.

8.4.2 **Company-wide Targets**

The company-wide the targets will include at least two metrics, which shall be performance or financial (such as income from sales, gross profit, operating

profit/loss, net profit/loss, EBITDA, adherence to an annual budget approved in advance by the Board of Directors, share price for the Company, income from a certain model or product, income in a certain territory, obtaining of regulatory approvals, recruitment for clinical trials and so forth).

8.4.3 **Personal Target Metrics**

The personal target metrics will include at least two metrics determined in advance for the year measured in accordance with the fields of activity and responsibility of the officer. For each officer there shall be determined personal targets which shall derive, inter alia, from the work plan and the strategy of the Company and from the work plan of the units for which the officer is responsible. Metrics for example: Achievement of division budgetary targets, achievement of development target, receipt of FDA approval, number of systems installed/ordered, decrease of production costs, improvement of products quality (as measured in number of faults), success in clinical trials, signature of distribution agreements, expansion of insurance coverage for Company products, publishing of clinical articles, improvement in financial parameters, obtainment of projects targets and other operating parameters (efficiency, employee turnover, cost savings and so forth), reduction of inventory turnaround, material fund raising, merger or material acquisition.

It is clarified that it is possible to include in the personal targets, metrics from the company-wide metrics.

Assessment of the personal targets determined for officers will be made by the CEO, and presented before and subject to approval of the compensation committee of the Board of Directors.

8.4.4 **Assessment of Performance by the Supervisor**

In calculating the annual grant, the compensation committee and the Board of Directors will be entitled to grant part of the grant on the basis of qualitative performance assessment of the officer which shall refer to metrics such as initiative, excellence, contribution to the results of the Company, as distinct from the company-wide and personal metrics as stated.

8.4.5 **Grant Mix**

8.4.5.1 The proportional weight of each one of the targets set out above shall be as follows below:

Rank	Company-wide Targets	Personal Targets	Performance Assessment
CEO	60-100%	0%	0-40%
Other officers	30-40%	50-60%	0-20%

8.4.5.2 The compensation committee and the Board of Directors shall be entitled to deviate from the considerations as stated in clause 8.4.5.1.

8.4.6 **Annual Grant Ceiling**

The annual grant ceiling (without the special grant) shall be determined at the start of the measured year but shall not exceed that stated below:

8.4.6.1 **CEO -** Up to four monthly salaries.

8.4.6.2 **Other Officers in Israel -** Up to two monthly salaries of the relevant officer.

8.5 **Annual Grant General Provisions**

8.5.1 The annual grant in cash to officers as approved by the compensation committee and the Board of Directors will be paid together with the first salary after approval of the annual financial reports of the Company.

8.5.2 The compensation committee and the Board of Directors shall be entitled to reduce up to 25% of the variable compensation for an officer which was calculated for such year according to the compensation mechanisms determined in compensation policy.

8.5.3 Officers will undertake to return to the Company the amount of the grant, net, or part thereof if it evolves in the future that the grant was issued on the basis of figures which were audited by the accountant of the Company and which were discovered to be misleading and were restated in the financial reports of the Company during a period of the three subsequent annual financial reports after the date of approval of the grant. In any instance where an officer will be required to return amounts of a grant as stated, the entitlement of the officer to a future grant will initially be set off. That stated in this clause shall apply, mutatis mutandis, to the Company in the event where these stated figures in the audited financial reports of the Company lead to entitlement to a grant in an amount which is higher in respect of such year.

8.5.4 There shall be no obligation upon an officer to return amounts and the Company shall not pay to an officer any amount as stated in this clause above in any of the following instances:

8.5.4.1 In the event that the restatement of the financial reports arises from a change in the accounting standards.

8.5.4.2 In the event of the compensation committee and the Board of Directors determine in special circumstances that repayment of the grant (or part thereof) as stated in

this clause above by the officer is impossible or unimplementable from a commercial, legal or any other aspects.

8.5.5 In the event of termination of the employment of an officer in the Company during any year, with the exception of termination under circumstances which preclude severance pay, the Company shall be entitled to grant the officer a proportional part of his annual grant in respect of the period from the commencement of the calendar year in which the employment of the officer in the Company was terminated and until the date of termination of employment, in accordance with the discretion of the compensation committee and the Board of Directors. In such instance, the grant will be paid only on the date of the payment of the annual grant for the remainder of the officers in the Company.

9 **Special Grants**

9.1 In addition to the annual grant, the Company shall be entitled to pay to each one of the officers a special grant for performance of the officer which is not measurable or in light of special and extraordinary contribution of the officer such as in connection with completion of a transaction (including merger, acquisition or issue transactions), which is exceptional in its scope or in its inherent achievement ("**special grant**"). A special grant may be paid to an officer one time per annum only. The amount of the discretionary special grant shall not exceed three monthly salaries for any of the officers in the Company. This restriction shall include also the component of the performance estimation in the annual grant in cash, if existing.

9.2 In the event that the Company shall close a merger and acquisition transaction in the period of engagement with the relevant officer:

9.2.1 Subject to the approval of the compensation committee and the Board of Directors, the CEO shall be entitled to a grant of up to NIS 1,000,000 (whether the Company terminates the engagement with the CEO as a result of the transaction or not).

9.2.2 In the event that the Company shall terminate the engagement with an officer who is not the CEO, over the course of the 24 months after completion of the merger and acquisition transaction, not subsequent to performance of a crime or breach of a material condition in the engagement as stated, to such extent as merger and acquisition documents which are binding were signed prior to the officer receiving a notice of termination, the compensation committee and the Board of Directors are entitled to determine that such officer shall be entitled to a grant of up to six monthly salaries of the relevant officer.

9.2.3 The compensation committee and the Board of Directors are entitled to determine with regard to an officer who is not the CEO that to such extent as the officer shall continue in his position at the Company after the merger and acquisition

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transaction, for a period determined by them, such officer shall be entitled to a grant of up to six monthly salaries of the relevant officer.

9.2.4 In this clause, "**merger and acquisition transaction**", means (1) a sale or transfer transaction of all or of the principle assets of the Company and its subsidiaries, including by means of the granting of a perpetual, exclusive and global license. Or (2) the purchase of the Company by: (A) Merger or the consolidation of the Company with another entity, as a result of which the shareholders of the Company prior to the transaction shall not hold the majority of the voting rights in the surviving entity. (The surviving entity can be the Company), or (B) sale, assignment or discharge of all or almost all the issued and paid up shares of the Company, or any significant part thereof. The Board of Directors of the Company shall have the exclusive authority to determine whether any transaction is deemed a "a merger and acquisition transaction" under this clause 9.

9.3 In the event that the Company shall close a successful issue in the period of engagement of the relevant officer, subject to approval of the compensation committee and the Board of Directors, such officer shall be entitled to a grant as follows: CEO - NIS1,000,000. Other officer - Up to 6 monthly salaries.

9.4 In this clause "**successful issue**", shall mean initial offering of ordinary shares of the Company in a stock exchange outside of Israel, which shall result in gross proceeds to the Company of not less than $20,000,000.00. The Board of Directors shall be exclusively authorized to determine whether such issue is deemed "successful issue" under clause 9.

9.5 The special grants as stated in this clause shall be granted to an officer who is not the CEO on the basis of a recommendation of the CEO and subject to approval of the compensation committee and of the Board of Directors. Regarding the CEO of the Company, special grants shall be awarded on the basis of recommendations of the Board of Directors and subject to approval and the compensation committee and the Board of Directors.

9.6 It is clarified that the Company is entitled to pay the special grants as stated in this clause 9, even when it does not fulfill the cumulative pre-conditions set out in clause 8.3.

10. **Equity Compensation**

10.1 The Company reserves the rights to grant its officers restricted shares (RS) and or restricted share units (RSUs) and or options for ordinary shares of the Company (herein after jointly: "**securities**"), in accordance with the equity compensation plan adopted from time to time and subject to applicable law.

10.2 It is clarified that the granting of restricted shares (RS) and or restricted share units (RSUs) (if granted) shall be subject to the performance targets relevant to the nature of activity of the Company.

10.3 The entitlement of an officer to equity compensation shall be according to the definitions in the plans approved by the Company from time to time. These definitions shall relate, at the very least, to the following details:

10.3.1 Maximum percentage of dilution, in respect of such plan, arising from the allotment of securities in the period of the policy, including to employees and in respect of consultancy services and including to employees overseas, shall not exceed a rate of 10% upon full dilution prior to the current compensation policy period[2]. Without detracting from that stated above, the maximum vesting rate for officers in Israel, save for the CEO, shall not exceed 0.5% per annum upon full dilution.[3]

10.3.2 In addition, the value of the annual equity component granted to any officer (if granted) subordinate to the CEO, shall not exceed five sixth monthly salaries of such officer. For such purpose, the value of the annual equity component will be calculated on the date of the granting on the basis of customary economic models and will be divided by the number of years of maturity of the equity component. With regard to the CEO and the VP finance, the value of the annual equity component shall not exceed seven monthly salaries of the CEO or the VP finance, as the case maybe.

10.3.3 The exercise price of the option units for any officer shall not be less than 10% above average closing share price of the Company in the 90 trading days preceding the resolution of the Board of Directors of the Company to allot the options, save if it is determined that extraordinary fluctuation in the share price obligates utilizing an average for a longer period.

10.3.4 It is clarified that unless otherwise determined by the compensation committee and the Board of Directors, and subject to the provisions of applicable law (including the provisions of The Company's Law and the stock exchange regulations), the exercise price of restricted shares and restricted share units, is zero.

10.3.5 The vesting period of each group of securities will vest over the course of no less than three years, starting from 12 months at least after the date of the granting, when the vesting is in equal parts, save for with the CEO, for whom the

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[2] For such purpose, equity compensation which was approved by the Board of Directors prior to the current policy period, shall not be taken into account.

[3] For example - if an officer in Israel is allotted (save for the CEO) in a certain year, securities at a rate of 2% from the issued capital of the Company, the vesting rate will be divided in the manner that vesting of each segment shall not exceed 0.5% per annum.

compensation committee and the Board of Directors may determine that on the first date of vesting up to 25% of the amount of the securities shall vest in the relevant group, and provided that the remainder of the vesting shall be in equal parts.

10.3.6 The Company shall be entitled to grant securities which may be exercised within a period which shall not exceed eight years from the date of the granting thereof and so long as they have not expired previously and all as shall be determined in the allotment program. At the end of up to eight years from the date of the granting, all of the securities which have not been exercised shall expire.

10.3.7 The compensation committee and the Board of Directors will determine the terms of the exercise of securities upon the termination of employee-employer relations between an officer and the Company (due to dismissal, resignation, death or disability and so forth) including in the framework of the equity compensation program and with regard to the CEO, upon approval of allotment at the general assembly or thereafter.

10.3.8 The compensation committee and the Board of Directors shall be entitled to determine that upon an acceleration event, or as a result of the termination of engagement due to death or disability, the vesting of the securities which were granted to the officer shall be accelerated, in whole or in part, including for securities which were granted prior to approval of this compensation policy.

10.3.9 "Acceleration event" shall mean one or more of the following events, when the Company has exclusive discretion to decide with regard to each granting of securities, which of the following events will be included as an acceleration event for such granting (and provided that the definition shall include at least one event from the list): (a) A change in control (as defined in the Securities Law - 1968 at the Company. (b) The sale of all or of the principal assets of the Company. (c) A merger or acquisition transaction as defined in Clause 9.2.4. (d) A successful issue as defined and clause 9.3.

10.3.10 The Company shall be entitled to determine that securities which will be granted to an employee under the tax method which shall maximize the tax benefit for the employee.

10.3.11 In general, exercise of securities shall be cashless save if determined otherwise by the compensation committee and the Board of Directors of the Company.

11. **Directors' Wage**

11.1 The wages of the directors (with the exception for the chairman of the Board of Directors and directors with additional positions in the Company and employed by it) shall not exceed the maximum permitted compensation under the Companies Regulations (rules for compensation of external director) - 2000

("**compensation regulations**"), in accordance with the rank at which the Company is classified under the Compensation Regulations. Whether the director is an expert shall be taken into account for such purpose, as per the definition of an expert external director in the Compensation Regulations.

11.2 The external directors and all of the other directors in the Company shall be entitled to refund of expenses as determined in the compensation regulations. The Company shall be entitled to refund to the remaining directors in the Company their reasonable expenses actually made in the framework of their position, including participation in meetings, travel and overseas accommodation expenses, per diem and accommodations as against receipts, and all in accordance with procedures of the Company.

11.3 Clause 6 (exemption, indemnification and officer's insurance) above shall apply also to directors, including external directors.

11.4 Subject to the provisions of applicable law, the Company is entitled to grant equity compensation to a director with expertise in the field of activity of the Company and or with the special contribution and provided that such director is not the chairman of the Board of Directors nor has an additional position in the Company and nor is employed or provides services to the Company, and subject to the provisions of Clause 10.3 (equity compensation) which shall apply to such director and or the equity compensation offered to him, mutatis mutandis.

11.5 Directors employed by the Company or providing services to it by means of companies under their control shall not be entitled to additional compensation in respect of their function as directors.

12. **Work Overseas**

12.1 Notwithstanding that stated in Clauses 4.3, 8.4.6 and 10.3.2 of this compensation policy, regarding officers who are not residents of Israel ("**officer outside of Israel**"), the terms of the position and the employment shall be as per the following limits:

12.1.1 The basic annual wage ceiling shall not exceed $400,000.[4]

12.1.2 In addition to the base salary specified in Clause 12.1.1 above, the Company shall be entitled, with the approval of the compensation committee and the Board of Directors, to approve social and ancillary benefits for an officer outside of Israel in accordance with that customary in the country in which he carries out his position.

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[4] Including by means of a mechanism for payment of sales commissions.

12.1.3 The annual cash grant (bonus) ceiling[5] shall not exceed six monthly salaries of such officer.

12.1.4 The value of the annual equity component at the time of the granting shall not exceed 12 monthly salaries of such officer. For such purpose, the value of the annual equity component will be calculated on the date of the granting on the basis of customary economic models and will be divided by the number of years of maturity of the equity component.

12.2 It is clarified that in addition to that stated above, the wage of officers outside of Israel and additional conditions which were not arranged in this policy, shall be subject to approval of the competent organs in the corporations in which they are employed.

13. **Ratio between the cost of the terms of the position and employment of an officer and the remainder of the employee's of the Company**

The compensation committee and the Board of Directors have examined the ratio between the cost of the terms of the position and the employment of officers, and between the cost of wage of the remaining employees of the Company and of the employees of contractors employed by the Company, and particularly the ratio between the average wage and the median wage of employees are stated, as of the date of approval of this compensation policy, and determined that these ratios are not anticipated to impact the work relationships at the Company, and this taking into account, inter alia, the manner of the activity of the Company and its size and the responsibility that various officers in the Company shall bear and the complexity of their positions.

The following is the ratio as stated correct as of the date of the publication of this compensation policy.

Position	Ratio to Average Wage	Ratio to Median Wage
Chairman of the Board of Directors	1.04	1.42
CEO	6.30	8.62
Other officers directly subordinate to the CEO	2.55	3.48

(1) The average and median wage was calculated with regard to Israeli employees only.

(2) The value of the options is determined in accordance with their value on the date of the granting, with regard to options not yet vested, divided by the number of years of maturity.

(3) Grants contingent upon fulfillment of targets have not been taken into account.

14. **Employment by Means of a Management Company**

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[5] Subject to fulfillment of preconditions and targets and all in accordance with Clause 8 above.

In the event that an officer provides services to the Company (for instance by means of a management company) and is not an employee of the Company, in every instance where this compensation policy refers to base wage and/or salary, the fixed components will be converted into a monthly management fees and the provisions of the compensation policy will apply with regards to the management fees, mutatis mutandis, and provided that there shall be no change in the costs to the Company due to the engagement with the service provider as compared to engagement with him as an employee. The payment to the service provider will be carried out through invoices and will include the base wage and all of the ancillary conditions and benefits (with the exception of refund of expenses). In such instance, the total and final cost to the Company as stated shall stand at the base wage multiplied by 1.33. VAT at law shall be added to the management fees.

15. **Changes in the terms of the position and employment of an officer subordinate to the CEO**

A non-material change (up to 5%) in the terms of the position and employment of an officer who is subordinate to the CEO of the Company, shall not require approval by the compensation committee if approved by the CEO and is in line with the compensation policy of the Company, and provided that the CEO shall report thereupon to the chairman and the compensation committee.

16. **Miscellaneous**

16.1 The compensation committee and the Board of Directors are responsible for the management of the compensation plan and its implementation and all of the actions required therefor including the authority to interpret the provisions of the compensation policy in any event of doubt with regard to the implementation.

16.2 It is emphasized that nothing in that stated in this compensation policy shall prejudice existing agreements and/or binding practices (if any) between the Company and the officers prior to approval of this compensation policy.

16.3 In the event of any change in the relevant law which is more lenient than the provisions of this compensation policy, the compensation committee and the Board of Directors shall be entitled to adopt the more lenient provisions of the law, and this without requiring approval of the general assembly of the Company in connection therewith.

16.4 The compensation committee and the Board of Directors will examine from time to time the compensation policy and the need for its adjustment in the face of a material change from circumstances which had prevailed when it was determined or for other reasons.

Exhibit 10.5

[UNOFFICIAL TRANSLATION INTO ENGLISH]

Employment Agreement

which was made and signed in Jerusalem on January 8, 2017 (hereinafter: "**the Agreement**" and "**the date of the Agreement**" respectively)

Between: **Brainsway Ltd.**
of 19 Hartom St.,
Har Hotzvim, Jerusalem
hereinafter: "**Brainsway**")

of the one part

And Between: **Mr. Yaacov Michlin**
ID: *014404677*
12 Menuhin St., Rehovot
(hereinafter: "**the CEO**")

of the second part

Whereas: And Brainsway and the associated companies, as defined below, engage in development and manufacture of solutions for mental and neurological illnesses and disorders.

And whereas: Brainsway is a company traded on the Tel Aviv Stock Exchange, Ltd.

And whereas: Brainsway is desirous and has the legal authority to employ the CEO in the position of CEO (hereinafter: "**the position**") in accordance with the terms of this agreement.

And whereas: The CEO has expressed his desire to work for Brainsway in the position and he declares that he the skills, the competencies and the experience required for fulfillment of the position and is desirous of working under the terms set forth in this agreement, and that there is no legal and/or other bar to his work in accordance with the provisions of this agreement.

And whereas: The parties wish to determine in this agreement the terms of the employment and work of the CEO and to determine the mutual rights and obligations of the parties.

Accordingly as agreed, declared and stipulated between the parties as follows:

1. **General**

1.1. The preamble to this agreement shall be deemed an inseparable part thereof, and is equal to the remainder of the provisions of this agreement.

1.2. The headings of the sections and/or clauses are for convenience of reading only and the clauses in the agreement will not be interpreted in accordance with them.

1.3. This agreement also constitutes notice with regard to the terms of employment in accordance with the Notice to Employee Law (Terms of Employment) - 2002 and its regulations, and does not have the effect of detracting from any right accorded to the CEO at law.

2. <u>Terms of Engagement and the Position of CEO</u>

2.1. Brainsway declares that it is a public company, lawfully incorporated, traded on the Tel Aviv Stock Exchange, Ltd.

2.2. The CEO will be employed under this agreement starting on April 1, 2017 save if the parties have agreed otherwise in writing prior to this date (hereinafter: "**the date of commencement of work**") in the position of CEO of Brainsway for an undetermined period of time.

2.3. In his position, the CEO will manage all of the activity of Brainsway (including its subsidiaries in Israel and abroad (hereinafter: "**the associated companies**"). The CEO will report to the Board of Directors of Brainsway, including by means of reports to the chairman of the Board of Directors or his deputy.

2.4. The CEO declares and undertakes hereby that he has the skills and experience suitable for fulfillment of the position and that there is no other reason, including a bar at law, which may preclude him from fulfilling his position and all of his undertakings.

2.5. It is clarified and agreed that all of the payments and the social benefits to which the CEO is entitled under this agreement will be paid and will be granted by Brainsway and/or Brain Research Services, Ltd, which is a wholly owned subsidiary of the Company (hereinafter: "**Brain**") (Brainsway and/or Brain will be hereinafter called: "**the Company**"), at the discretion of the Company.

3. <u>Membership in the Board of Directors of Brainsway</u>

3.1 Subject to the restrictions at law, if existing, the membership of the CEO in the Board of Directors of Brainsway shall remain valid until the termination of his current tenure as a member of the Board of Directors.

3.2. Starting on the date of commencement of the work as defined above, and further to the provisions of clause 10.5 of the compensation policy (as defined below), and so long as this agreement is valid, the CEO will not be entitled to any additional compensation for his service as a director in Brainsway, beyond the compensation provided to him as the CEO under this agreement, and this without

detracting from the options granted to him as a director, which shall continue to apply and to vest as per their terms.

4. **Duties of the CEO**

4.1. The CEO will make available to the Company his professional knowledge as required and related to his position, shall act to the best of his ability, his efforts and his skills, for performance of his position, and will carry out his position with dedication, decency and loyalty, in accordance with the directives which he shall receive from time to time from his supervisors.

4.2. The CEO will be a Company employee only. The CEO will not carry out any work or any service to any other party, for pay or without pay, and will not be engaged, directly or indirectly, with any business, undertaking, services, position or occupation, without the consent of Brainsway in advance and in writing. Notwithstanding that stated, it is agreed hereby that the CEO will be permitted to continue to serve as director in one additional public company (currently Satcom Systems Ltd.) and to continue to serve as director in a number of companies related to his previous position at Yissum, and this so long as conflict of interest does not exist between his service as director in the companies as stated and performance of his undertakings towards the Company.

4.3. The CEO undertakes to act in accordance with the obligations of confidentiality and non-compete and the obligations with regard to safeguarding and protection of the intellectual property of the Company and the associated companies, all as specified expansively in clauses 12 and 13 to this agreement.

4.4. The Company will provide to the CEO, for performance of his work, the conditions required for this position, and computing devices which include a laptop, a tablet, hardware, software, email and so forth (hereinafter: ''**computing devices**''). The computing devices are property of the Company and are intended for performance of the work of the CEO in the Company. The CEO is requested to sign upon the principles of the policy of the Company in this matter which are attached as **Appendix B** to this agreement.

5. **Work Hours**

5.1. The CEO will be engaged in a full-time position. In general, the work is carried out on Sunday through Thursday. The ordinary work day of the Company is nine hours. The Saturday is the weekly day of rest for the CEO and CEO will not work on Saturday or Israeli holidays.

5.2. The CEO is aware that the work relations with him are built on trust and work in flexible hours, the position and the requirements of job will require the CEO to work beyond the ordinary hours of work.

5.3. Notwithstanding that stated above, the CEO is aware that taking into account the fact that he is employed under this agreement in the position of CEO, which requires a special measure of personal trust. Work and Rest Hours Law - 1951, or any law which shall be enacted or shall replace it (''Work Hours Law'') does not apply to his employment, and he shall not be entitled to payments in accordance with the Work Hours Law. For the sake of removal of doubt, it is clarified hereby that the wage of the CEO includes therein a component of all of the payments which would be due to him were the provisions of the work hours law to apply to him.

6. <u>The Consideration</u>

6.1. In consideration for fulfillment of the entirety of the undertakings of the CEO under this agreement, and subject to receiving approval of the general assembly of shareholders of Brainsway, the Company shall pay to the CEO a gross monthly wage in an amount of NIS 71,108 per month, and this as specified in the sample pay stub attached as **<u>Appendix C</u>** to this agreement (hereinafter: ''**the wage**''). The wage will be paid to the CEO up to the ninth day of each month after the month of work.

6.2. The CEO will bear all of the tax liabilities in respect to his wage and all of the ancillary benefits and conditions provided to him as specified in this agreement, with the exception of bonuses for which it is stated explicitly that the Company shall bear the tax burden. The Company is responsible for deducting at source all of the amounts which it must deduct that at source in accordance with applicable law.

7. <u>Ancillary Conditions</u>

Subject to approval of the general assembly of shareholders of Brainsway, the CEO will be entitled to the following conditions:

7.1. **<u>Vehicle Use</u>** - the Company shall provide a vehicle for the CEO, the model agreed between the Company and the CEO at a value of up to NIS 200,000.00 ("**the vehicle**"). The CEO undertakes to drive carefully, and to care for the vehicle. The Company will bear all of the fixed and variable costs of the vehicle, including fuel and oils, licensing costs, insurance and various repairs, parking, toll roads, washing and cleaning and so forth. The Company will also bear the tax in respect of the use of the vehicle or any other levy or obligatory payment. The CEO will be exclusively responsible for any traffic infraction which he performs while using the vehicle and/or any fine imposed upon the Company during the use of the vehicle. In such instance, the CEO will sign upon an affidavit and/or any other document confirming the performance of the violation by him. Every three years or as needed, the Company will replace the vehicle with a new vehicle. The CEO will return the vehicle to the Company and he shall not have any rights to withhold the vehicle, at the end of 30 days from the date upon which he ceased

traveling to facilities of the Company on a regular basis and/or to fully carry out his work under the terms of this agreement).

7.2. **Mobile phone expenses** - the Company will bear the cost of maintenance and use of a mobile phone of the CEO and will bear the cost of the taxes in respect of the use of the phone or any levy or other obligatory payment.

7.3. **Refund of expenses** - The CEO will be entitled to a full refund of expenses, including taxes as needed, which relate to fulfillment of his position and in respect of travel, accommodations and per diem expenses as shall be in the framework of his position in Israel and overseas, as against receipts, and this in accordance with the policies of the Company as updated from time to time.

7.4. **Options** - Options shall be granted to the CEO for purchase of shares of Brainsway as follows:

Options for the purchase of 566,262 shares of Brainsway with a nominal value of NIS 0.04, which constitute, as of the date of the agreement, 3.6% of the issued and paid up share capital of Brainsway upon full dilution ("**full dilution**" at a certain date shall mean assuming the exercise of all of the options which Brainsway has allotted and which have yet to be exercised or expired at such date), subject to the terms of vesting and at the exercise price per share and additional terms as determined in **Appendix D** to this agreement (hereinafter: "**the options**"). Other terms and restrictions of the options beyond that stated in **Appendix D** shall be determined by the Board of Directors at its exclusive discretion, in accordance with the terms of the compensation policy of Brainsway as amended from time to time (hereinafter: "**compensation policy**") and future resolutions of the Board of Directors and subject to the terms of the grant letter which shall be signed by the CEO. It is clarified that the granting of options in accordance with this clause is contingent upon approval of the Tel Aviv stock exchange with regard to the registration for trading of the shares which shall arise from exercise of the options granted to the CEO.

7.5. **Bonuses** - The CEO will be entitled to receive bonuses for attainment of targets determined from time to time by the Board of Directors and in accordance with the terms of the compensation policy. Furthermore, if the Company carries out a merger and purchase transaction or a successful issue of Brainsway, as per the definition thereof in the compensation policy of Brainsway, as it shall shall be from time to time (hereinafter: "**special events**", and each of the previous: "**special event**" and "**compensation policy**", respectively) during the first two years of the service of the CEO (meaning from the date of commencement of work) the CEO will be entitled to any grant in respect of a special event as stated, in accordance with the terms of the compensation policy and at a total gross amount of NIS 1,000,000 (one million). The CEO will bear all of the taxes and the obligatory payments which shall apply in respect of bonuses as stated.

8. **Annual Vacation, Sick Pay and Recuperation**

Annual Vacation:

8.1. The CEO shall be entitled to annual vacation days as per the Annual Vacation Days Law - 1951 (hereinafter: "**the annual vacation days at law**" and "**the annual vacation days law**", respectively). The Company will grant the employee additional vacation days (hereinafter: "**the contractual vacation days**") such that together with the vacation days at law, they shall reach a total of 22 days per year.

8.2. The dates of the vacations of the CEO will be coordinated at least seven days in advance with the Chairman of the Board of Directors of Brainsway or his deputy. The Company shall be entitled to determine, from time to time as it deems fit, concentrated vacation days which the CEO shall be required to take.

8.3. The vacation days which the CEO shall utilize will be deducted from the vacation days available at law and once these have been utilized in full, they shall be deducted from the contractual vacation days. The CEO will, to the best of his ability, utilize the annual vacation days at law in the same calendar year as they were granted to him.

8.4. The CEO will be entitled to accumulate the contractual vacation days for one work year. Accumulation of the vacation days per the law will be possible in accordance with the annual vacation days law.

The contractual vacation days may not be redeemed. The vacation days at law may be redeemed upon termination of employer-employee relations in accordance with the annual vacation days law and subject to requirements of the law and the policy of the Company as shall be from time to time, up to a maximum of 22 vacation days.

Sick Pay:

8.5. The CEO will be entitled to fully paid sick days as against presentation of medical approvals, and in accordance with the provisions of the law. Notwithstanding that stated above, the CEO will be entitled to full payment of his monthly wage for sick days from the first sick day, and subject to the number of accumulated sick days available for him. In any event, unused accumulated sick days may not be redeemed.

Recuperation Days:

8.6. The CEO will be entitled to recuperation days at law.

9. **Pension Insurance**

9.1. The Company will deposit on behalf of the CEO into a pension fund, provident fund or managers insurance at the discretion of the CEO, or a combination of these, the rates of the deposits as specified below:

9.1.1. **Company share in provident fees.**

9.1.1.1. The share of the Company in the provident fees shall stand at 6.5% of the wage.

9.1.1.2. Payment as stated in Clause 9.1.1.1 ("**Company share in provident fees**") to an insurance fund or a provident fund which is not a pension fund, will include the payment of the Company for purchase of coverage in the event of loss of work capacity at the rate required to ensure 75% of the wage ("**LOWC Policy**") when in any event, the rate of provision of the Company for the provident part alone shall not be less than 5% of the wage.

9.1.1.3. To such extent as an increase shall be required in the cost due to cost of the LOWC Policy, beyond the share of the Company in the provident fees as stated, the Company shall pay in respect of the LOWC Policy together with the share of the Company in the provident fees as stated, not more than 7.5% of the wage, in any event.

9.1.2. **The share of the CEO in the provident fees.**

9.1.2.1. The share of the CEO in the provident fees shall be 6% of the wage.

9.1.2.2. The CEO grants his consent for the withholding from his salary of his share in the pension arrangement, as specified above.

9.1.3. **Deposits instead of severance pay.**

9.1.3.1. In respect of severance pay - the Company shall make a provision in an amount equal to 8.33% of the wage.

9.1.3.2. It is agreed that there shall apply to the pension deposits as stated above the general approval with regard to payments of employers to a pension fund and to insurance fund instead of severance pay, the text of which is attached hereto as an inseparable part of this agreement and mark **Appendix A** to this agreement (hereinafter "**the general approval**") and/or any other approval, which shall come in its stead. For the sake of removal of doubt, the provisions of the Company in the framework of the pension arrangement in respect of severance pay shall come in the stead of the entirety of the severance pay if this shall be due to the CEO, and this in accordance with Article 14 of the Severance Pay Law-1963, and in accordance with the general approval and/or any other approval, which shall come in its stead and/or under Clauses 7-9 of the Expansion Order (combined version) for Compulsory Pension-2011.

9.1.4. The parties confirmed that they understand that the amounts provided as stated above are higher than those determined in the general approval, which has not yet been revised and/or the Expansion Order for Compulsory Pension, and accordingly, they agree that, that stated in Article 14 of the Severance Pay Law shall apply with the understanding that the terms of the general approval and/or that stated in the Expansion Order apply also in the event of provisions which are higher than those determined in the general approval.

9.1.5. It is clarified hereby that the Company waives its rights to a return of the funds which it paid to the pension arrangement, save if the entitlement of the CEO to severance pay shall be denied in accordance with the provisions of Articles 16 or 17 of the Severance Pay Law, in the event that the entitlement is denied, or if the CEO withdraws the funds from the policy other than for an entitling event. For this matter "entitling event": death, disability or retirement at an age of 60 or more, all in accordance within subject to the general approval.

10. **Continuing Education Fund**

10.1. The Company will pay on a monthly basis into a continuing education fund selected by the CEO ("**continuing education fund**") a total in NIS equal to 7.5% of the monthly wage.

10.2. Additionally, the Company shall deduct from the monthly wage of the CEO, 2.5% and transfer this to the continuing education fund as the share of the CEO in the continuing education fund.

10.3. The amount to which the CEO is entitled under Clause 10.1 above, will be deposited by the Company into the continuing education fund.

11. Termination of the Agreement

11.1. This employment agreement is for an indeterminate period. Either party may bring this agreement to an end by advanced notice in writing to the counter party in accordance with the law, but not less than an advanced notice period of two months in the first year from the date of commencement of work and four months thereafter.

11.2. In the period of the advanced notice, the CEO will be required to carry out his work fully and properly, and to transfer his position to a replacement who shall be determined, as shall be necessary.

11.3. The Company is entitled to waive the work in practice in the period of the advanced notice, in whole or in part, continuously or alternately.

11.4. Notwithstanding that stated above, it is hereby agreed that the Company is entitled to suspend the CEO and/or to cease the work of the CEO at any time immediately, and to immediately terminate the work relations (including during the course of the period of the advanced notice for resignation or dismissal), without the need for notice in writing and without any monetary consideration whatsoever in respect of failure to provide advanced notice, in whole or in part, and this if the CEO shall have made a fundamental breach and not rectified within 14 working days of having received a caution thereupon and/or if the Company shall be entitled to do so at law, and in anyone of the following instances: (1) shall have carried out a criminal violation involving moral turpitude; (2) has commenced proceedings for declaration of bankruptcy or has consented to submission of an application for such proceedings against him or was declared by a competent court as bankrupt or insolvent.

11.5 Upon termination of the employment for any reason, the CEO must return to the Company any assets, equipment, document and information in his possession and which was provided to him during the course of or due to his work under this agreement and the CEO shall not have any right to withhold these or any other rights.

12. <u>Confidentiality and Non-Competition</u>

12.1. In this Clause 11, **the Company,** including the shareholders and officers, subsidiaries, sister corporations and associated corporations, including their shareholders and officers, suppliers, customers, partners and investors, including their shareholders and officers.

12.2. The CEO declares that he is aware and agrees that during the course of his work and in the framework of the fiduciary relations, he is exposed and will be exposed to professional-commercial information of great value with regard to the business affairs of the Company and various commercial ties and particularly with regard to the investment of funds of the Company and of additional investors, including the local or overseas partners (hereinafter: "**the activity of the Company**"). This information is the exclusive property of the Company and its disclosure to any party or any use thereof by the CEO may cause grave damage to the Company.

12.3. Accordingly, the CEO hereby undertakes to maintain the professional and commercial secrets of the Company, its subsidiaries and associated companies and not to transfer, directly or indirectly, for consideration or without, its professional and commercial secrets and those of its subsidiaries and associated companies, other than in the framework and for the purpose of performance of his work at the Company exclusively.

12.4. Furthermore, the CEO undertakes not to disclose, to display or to deliver, during the period of employment at the Company and/or thereafter, to any person or body, any commercial secrets and/or others of the customers of the Company to

which the CEO is exposed in the course of his work at the Company and or due to his work at the Company, and any information connected directly or indirectly to the property, business, affairs, customers, suppliers and the persons or bodies involved with the Company or its customers or those in contact with them, and including, but without detracting from the generality of that stated above, procedures, prices, calculations, terms of engagement with customers and suppliers, diagrams, documents and secrets and details or information regarding an investor in the Company, and this whether the secrets or the associated information have reached the CEO as a result of his employment by the Company or in any other manner and provided that they did not become public information.

12.5. Without detracting from the generality of that stated above, the CEO undertakes to adapt any reasonable means to highly safeguard any document, program or information held by him in connection with his employment of the Company, belonging to the Company or its clients (hereinafter: "**the information**") in order to prevent its viewing by any other person who the Company or any of its customers have not permitted to do so, and not to make any use of the information as stated above, other than for the purposes for which the information was provided to him.

12.6. The CEO will comply with any demand of the Company and or its clients with regard to the adapting of additional means of security to those which he has adapted. In the event of any problem in connection with the information, the CEO will notify the Company immediately upon the occurrence. Immediately upon termination of his work at the Company and/or termination of provision of services to a customer of the Company, the CEO will deliver to the Company all of the information in his possession.

12.7. The CEO hereby undertakes not to work and not to be engaged, directly or indirectly, for consideration or without, himself or by means of a party on his behalf, as an employee, adviser, partner, contractor, distributor, shareholder and in any other capacity-in any business, position, work, occupation and/or other activity whatsoever which competes directly with the activity and/or the business of the Company, its subsidiaries and associated companies and not to incite employees and/or those employed by the Company to leave their work, not to employ them, directly or indirectly, not to assist them in finding work with competitors of the Company and its subsidiaries, and this during the course of his work at the Company and for a period of 12 months from the date of its termination.

12.8. The CEO undertakes not to refer suppliers and/or former suppliers of the Company and/or the subsidiary and associated companies to suppliers and/or former suppliers and not to encourage them to sever their commercial contact with the Company, to compete with it, to take commercial information of the Company, to engage with any third parties or whatsoever, directly or indirectly including competing parties, and this during the course of the work at the

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Company and for 12 months from the date of its termination. And all-directly or indirectly, himself or by means of a party on his behalf, at his initiative or at the initiative of some other, for consideration or without, whether an employee, advisor, investor, partner, distributor, shareholder and in any other capacity and/or manner.

13. **<u>Intellectual Property</u>**

13.1. In this clause 13 and in clause 14, **the Company**, including its shareholders and officers, subsidiaries, sister or associated companies, including their shareholders and officers, suppliers, partners, investors, including their shareholders and officers.

13.2. It is hereby agreed that the rights, including the intellectual property rights, to any invention, idea, creation, information, development, discovery, process, technological method, including any innovation, addition, improvement or derivative of an invention, idea, work product, creation, information, discovery, process, technological method, as stated (hereinafter - "**invention**") which the CEO, whether independently or in collaboration with others, will discover, develop or invent or create, related to his work or in the field of his professional occupation with the Company, whether such rights may be registered at law or not (hereinafter - "**inventions in service of the Company**"), do and shall in the future, belong exclusively to the Company. The CEO shall not have any contentions and/or claims with regard to inventions in service of the Company and he hereby assigns to the Company any right and/or contention to such extent as exist or shall exist, in connection with inventions in service of the Company. Without detracting from that stated, the CEO hereby explicitly waives any rights or contention or demand in connection with consideration or royalties in respect of inventions in service of the Company and/or the use of thereof including the right and/or contention under Article 134 of the Patent Law - 1967.

13.3. If the Company decides to protect an invention by means of registration of any right in connection with the invention in service of the Company, in Israel or abroad, the CEO will cooperate with the Company, including signature upon documents and delivery of any material or information as required for submission of the application and performance of the registration.

13.4. That stated in clauses 13.1 and 13.2 above shall apply also to inventions as defined in 13.1 above which the CEO shall discover, develop, invent or create, independently or with others, within a period of one year from the date of the termination of the engagement between him and the Company for any reason whatsoever (or a shorter period as shall be provided at law) if the CEO will use and utilize information or material which came to his possession or his knowledge in the framework of his work at the Company. The parties hereby agree that all of the rights including the rights to payments for inventions specified in clause 13.3, belong to the Company. The CEO confirms hereby explicitly that he does not nor

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shall not have any rights, demands or claims in connection with the inventions in question in clause 13.3. This includes a right and/or claim for payment and/or royalties. Without detracting from that stated, the CEO waives any rights or contention (as may be, to receive consideration under Article 134 of the Patent Law).

13.5. Without detracting from any law, the CEO hereby undertakes to inform the management of the Company in writing at the earliest possible time, of any invention as defined in clause 13.1 above, which he shall discover, develop, invent or create during the course of his employment in the Company and including one year after its termination or a shorter period as provided at law, or related to his work or his professional field of engagement, regardless of whether the CEO believes that that stated in the provisions of clause 13.1, 13.2 or 13.3 above shall apply to such invention.

13.6. In addition, the CEO hereby waives as towards the Company any moral rights he may have in an invention as defined in clause 13.2 above. For this matter, “moral right” as defined in the Copyright Law - 2007.

14. Declarations of the CEO

The CEO declares and confirms that:

14.1. His undertaking to maintain confidentiality, restriction of competition and safeguarding of intellectual property under this contract above, is fair, reasonable and proportionate, and is intended principally to defend the secrets of the Company and its secret information, which are the essence of its business and commercial advantage which may be protected, and in which significant capital was invested.

14.2. Breach of his undertakings above - shall be in contravention to the fiduciary relation and the special loyalty which exists between the parties as employee and employer, to proper conduct of commerce, and to the duty of good faith and decency between the parties, shall harm the business of the Company, and constitutes fundamental breach of this contract and of commercial secrets, commercial contact, secret information and protected interests of the Company.

15. **Miscellaneous Provisions**

15.1. This Agreement regulates the relations between the Company and the CEO and determines exclusively the terms of the employment of the CEO by the Company.

15.2. This Agreement is personal and special and accordingly there shall not apply to the relations between the companies the general and/or special collective agreements and/or their appendices, or other agreements, which are signed from

time to time between the General Workers' Union and/or any other representative employee union.

15.3. For the sake of removal of doubt, it is clarified and agreed hereby that in any event of interpretation of this Agreement, all of its conditions must be read and certain components may not be separated from the consideration due to the CEO in consideration for his work, from other components. The CEO declares that he has thoroughly examined the entirety of the conditions in this Agreement and has found them satisfactory.

15.4. Any notice by any of the parties to the counter party by registered post shall be deemed to have been received by the other party 72 hours after its dispatch as mentioned. The addresses of the parties for purposes of this agreement are as specified in the preamble to this agreement.

In witness whereof the parties have signed in the place and at the time above:

/s/ Dr. David Zacut	/s/ Yaacov Michlin
Brainsway Inc.	**CEO**

Name of Signatory: *Dr. David Zacut*
Position: *Chairman of the Board*

Brain hereby confirms that the terms of this agreement are known and acceptable to it and bind it to such extent that they relate to it.

BRAIN RESEARCH SERVICES LTD.

Name of Signatory: *Dr. David Zacut*
Position: Chairman of the Board
Date 08/01/17

Attached:

Appendix A - General Confirmation Approval regarding payments of employees to insurance fund and in the stead of severance pay (according to the Severance Pay Law - 1963).

Appendix B - Usage Rules for computing devices of the Company.

Appendix C - Sample Pay Stub

Appendix D - Options

Appendix A - General Confirmation Approval regarding payments of employees to insurance fund in the stead of severance pay (according to the Severance Pay Law - 1963).

By Virtue of my Authority under Article 14 of the Severance Pay Law-1963[1] (hereinafter: "**the law**") I confirm that the payments which an employer made starting on the date of publication of this approval, on behalf of his employees to a comprehensive pension fund in a stipend provident fund which is not an insurance fund as per the definition thereof in the Income Tax Ordinance (rules for approval and conduct of provident funds) - 1964[2] (hereinafter: "**pension fund"**), or to Managers Insurance which includes the possibility of a stipend or a combination of payments to a stipend plan and a non-stipend plan in an insurance fund as mentioned (hereinafter called "**insurance fund**"), including payments made in combination of payments to an insurance fund, whether the insurance fund has a stipend program or not ("**employer payments**") shall come in the stead of severance pay due to the employee as mentioned in respect of the wage from which the aforementioned payments were made for the period which was paid (hereinafter: "**the exempt wage**"), and provided that all of the following were fulfilled:

1.) Employer payments to the pension fund are not less than 14 1/3% of the exempt wage or 12% of the exempt wage if the employer pays on behalf of the employee. In addition also payments for supplementation of Severance pay to a severance provident fund or an insurance fund in the name of the employee at a rate of 2 1/3% of the wage which is exempt. If the employer shall not pay in addition to the 12% also the 2 1/3% as stated, the payments shall come in the stead of 72% of the Severance pay of the employee only.

B.) To insurance funds which are not inferior to one of the following:

13 1/3% of the exempt wage, if the employer additionally pays on behalf of his employee payments to insure monthly income in the case of lost capacity for work, in a program approved by the supervisor of Capital Markets, Insurance and Savings in the Ministry of Finance, at a rate required to insure 75% of the exempt wage at least or a rate of 2 1/2% of the exempt wage, the lower of these (hereinafter: "**payment for loss of work capacity insurance**").

2.) 11% of the exempt wage in the event that the employer additionally paid into loss of work capacity insurance and in such instance the payments of the employer shall come in the stead of 72% of the Severance pay of the employee only. If the employer paid in addition also payments to supplementation of the Severance pay into a severance provident fund or an insurance fund in the name of the employee at a rate of 2 1/3% of the exempt wage, the payments of the employer shall come in the stead of 100% of the Severance pay of the employee.

2.) Not later than three months from the start of performance of the payments of the employer, a contract in writing was effected between the employee and the

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[1] Law Gazette 1963, page 136

[2] Law Book 1964, 1302 2

employer containing - the consent of the employee to the arrangement under this approval in the format specifying the payments of the employer and the pension fund and the insurance fund, as the case may be. Such contract will also include the format of this approval.

Waiver of the employer in advance of any right he may have to a return of the funds of his payments, unless the right of the employee to Severance pay was denied in a judgment under Articles 16 or 17 of the law and in the event that it was denied or the employee withdrew funds from the pension fund or the insurance fund other than due to an entitling event. In this matter, "entitling event" - death, disability or retirement at the age of 60 or thereafter.

3.) Nothing in this approval has the effect of detracting from the right of the employee to Severance pay under the law, collective agreement, Expansion Order or employment contract in respect of wage beyond the exempt wage.

The Severance Pay Law of the 1963

June 9, 1998

Eliyahu Yishai
Labor and Welfare Minister

Appendix B - Usage Rules for computing devices of the Company

Dear Employee, for your information below, the usage policy in computing devices (hereinafter: "**computing devices usage policy**"). Please read it and sign at the bottom of the page to indicate your consent.

1. The Company has provided you for work purposes computer devices which include, a computer, hardware, software, email, telephone and so forth (hereinafter: "**computing devices**"). The computing devices are the property of the Company and for the safeguarding thereof you are required to act per the following instructions:

1.1 Hardware - do not install upon the computing devices, hardware or connect hardware to the computing devices without approval of your supervisor or of the computing staff. Including, do not connect an external hard disk, disk on key, camera, cellular phone or any other type of equipment. Additionally, do not make use of CDs which are not of the Company or are not related to activity of the Company.

1.2 Software — do not install software on the computing devices without approval of your supervisor or the computing staff. Including, do not install software for the processing of pictures, games, chat programs, internet toolbars or any other program.

1.3 Files - do not save upon the computing devices private files which are not related to the Company and including, do not save upon the computing devices pictures or private video.

1.4 In any question or inclarity regarding these instructions, you can contact your direct supervisor or the computing staff of the Company.

2. However, the Company is aware of your need to make private use of the computing devices. These uses permitted subject to the following rules:

2.1 Electronic Mailbox — was provided to you for your use by the Company solely and exclusively for your work. You are not permitted to make use of it for personal activity unrelated to your work and including correspondence with friends and family by means of the email box provided by the Company.

2.2 To such extent as you desire to send or receive private email during work hours and/or at work, you must do so by means of an external private email (gmail, hotmail and so forth). As stated above, it is forbidden to save files which you received by means of an external email address onto the computing devices.

2.3 You are entitled to make use of the internet for private needs at a reasonable scope of time and without this prejudicing your function at work, subject to the rules which were determined in the Company policy.

3. For purposes of safekeeping of the computing devices and protecting the legitimate interests of the Company and the Company, the Company makes use of monitoring technologies and blocking and restriction of use, the scope and details of which are set out in the computing device usage policy. The use of the monitoring technologies enable the Company to read data and content of the professional correspondence of its employees including correspondence carried out by means of the electronic mail address provided by the Company to its employees.

4. The monitoring is not intended to harm the privacy and in general the Company is uninterested in reading the correspondence conducted in the email accounts which it provides. However, the Company is entitled to read professional correspondence and will act in such manner to such extent allowed by law in circumstances where this is necessary, unavoidable and required for protecting the legitimate interests of the Company.

5. If and to such extent as personal correspondence will be found in the email account provided by the Company in contravention to the specific provisions set out above, the Company shall be able to read such correspondence, under special and extraordinary circumstances only, of serious danger of harmful or illegal activity on your part and subject to receiving your consent.

6. You are requested to sign below to indicate your consent to that stated above and to the computing devices usage policy of the Company.

Confirmation

I, the undersigned confirm that I have read this document thoroughly, I have received all of the clarifications and explanations I requested, I consent to all that stated therein and undertake to act as stated and to comply with the policies of the Company in everything related to use of the computing devices.

Yaacov Michlin	*014404672*	*/s/ Yaacov Michlin*	*8/1/17*
Employee Name	Identity Number	Signature	Date

Appendix C Sample Pay Stub

Appendix D Terms of Options

Date of the Granting of Options:

The date of commencement of work (as defined in the agreement)

Terms of Vesting:

The options will vest over a period of four years starting on the date of commencement of work ("date of commencement"), and provided that at the relevant date of the vesting the CEO is an employee of the Company: 0.9% of the issued and paid-up share capital of Brainsway on the basis of full dilution correct as of the date of the agreement (meaning, 25% of the total of the options) shall vest at the end of one year from the date of commencement and the remainder in equal parts (meaning, 0.225% of the issued and paid-up share capital of Brainsway on the basis of full dilution as of the date of the agreement) shall vest upon the passage of every three months thereafter.

Exercise Price per Option:

A premium of 20% over the fair market value as specified in the compensation policy (as per the definition thereof of Clause 7 of this agreement) as of 5.1.2017 (meaning, a measure of 30 days previous, in accordance with that stated in the compensation policy, including Clause 9.2.3 of the compensation policy).

Acceleration:

The vesting of the options will be accelerated as follows, and all provided that at the time of the acceleration as stated the CEO as an employee of the Company: If **over the course of** a period of two years starting on the date of the granting of the options, Brainsway shall carry out transactions constituting **a special event**, as defined in the agreement, then immediately prior to completion of the special event, the options shall vest as follows:

(1) In the event of a merger and acquisition transaction-all of the options granted to the CEO will vest or, (2) in the event of a successful issue-options will vest at a rate of 50% of the total options which would not have matured up to such date of completion of the successful issue where if not for this acceleration (meaning, 50% of the options which had not yet matured). If **at the end of** a period of two years from the date of the granting of the options, Brainsway shall carry out a transaction constituting a special event, then immediately prior to the date of completion of the special event, all of the options granted to the CEO shall vest.

Termination of Position:

In the event of termination of the position of a CEO as CEO or submission of advance notice of termination of the employment agreement (the earliest of these) at the date of completion as stated (the end of the advance notice period save if the employer - employee relations terminated earlier), all of the options which were alloted to the CEO and had not vested by such dates shall

be canceled and the remainder of the options which were alloted and which vested and may be exercised up until such date of termination as stated, shall be exercisable within three months of the date of termination as stated but not later than the date of their expiry, and all subject to the provisions above with regard to acceleration of the vesting of the options.

Notwithstanding that stated above, in the event of termination of the employment of the CEO by the Company in exceptional circumstances as stated and Clause 11.4 of the agreement, all of the options issued to the CEO and which have not yet been exercised shall immediately expire (whether they have vested or not).

In the event of death or disability of the CEO, the CEO or his successor or his estates (as the case may be) shall have the right to exercise the options having vested until such point, for one year from the date of the death and/or disability, as the case may be, but not later than the date of their expiry.

Period of Exercise, Date of Expiry of Option Deeds:

Subject to termination of the position as stated above, the CEO will be entitled to exercise the options of eight years from the date of their granting. At the end of eight years from the date of their granting, all the unexercised options shall expire.

Registration for Trading:

The options shall not be registered for trading on the stock exchange. The shares which shall arise from exercise of the options shall be registered in the register of shareholders of Brainsway in the name of a company for registration, and shall be registered for trading on the stock exchange, subject to approval of the latter. These shares shall be, starting on the date of their allotment, equivalent in their value for all intents and purposes to ordinary shares with a nominal value of NIS 0.04 each, existing in the share capital of Brainsway.

Exhibit 10.6

[UNOFFICIAL TRANSLATION INTO ENGLISH]

Employment Agreement
made and signed on July 7, 2014

Between: Brain Research and Development Services, Ltd.
19 Hartum, Jerusalem
Hereinafter: ("**the Company**")
Of the one part

And between: **Levy Hadar ID** *25176884*
Address:
Hereinafter: ("**the employee**")
Of the second part

Whereas: The employee wishes to work at the Company and/or the Company Brainsway Inc., a Company controlling the Company and/or the Company Brainsway Ltd (hereinafter: "**the parent Company**"), as defined below and inconsideration for his work shall receive payment from the Company.

And whereas: The Company wishes to employ the employee and both wish to regulate the terms as stated for the employment at the Company and all of the terms of the employment agreement and its provisions ("**the agreement**").

Accordingly it as agreed as follows:

1. **The Employment**

1.1 The employment of the employee shall begin on September 14, 2014 ("**the start date of employment**"). The employee will be employed full-time, 45 hours per week, everyday, Sunday-Thursday between the hours of 09:00-18:00. The employment of the employee will be in the position of VP finance or any other position at a similar level as required by the Company. The employee undertakes to carry out his undertakings and duties as shall be imposed upon him by the Company from time to time.

1.2 The work will be carried out Sunday-Thursday, at the work hours determined at law. The weekly day of rest of the employee will be Saturday.

1.3 The employee agrees hereby that the Company has the right at its exclusive and absolute discretion to reduce the scope of his position in the Company, and accordingly to pro rate the consideration paid to him under this agreement. The employee hereby waives any contention of significant deterioration in terms of

employment in respect of reduction of the scope of his employment at the Company as stated in this clause.

1.4 The employee undertakes to dedicate the entirety of his time, his attentions, his ability and his efforts exclusively for performance of his duties in the Company and undertakes not to engage, as employee or in any other manner in any business, commercial and/or professional activity, for pay or without, for the period of his employment, including after the hours of work, on weekends, or on vacation, without the consent in advance and in writing of the Company. For the sake of removal of doubt, it is hereby clarified that the provisions of this clause shall not detract from the liabilities of the employee as described in Appendix B which is attached hereto.

1.5 Any of the parties may cancel this agreement at any time by notice in writing of 60 days in advance (hereinafter: "**the advanced notice**").

1.6 Notwithstanding that stated above, the Company shall be entitled to cease the employment of the employee immediately or to reduce the period of the advance notice, whether given by the Company or by the employee, and provided that in such instance the employee will be entitled to compensation in the value of the basic wage as stated in **Appendix A** as though he was employed by the Company through the end of the advance notice period as stated in Clause 1.4 above.

1.7 In the event that the employee resigns without fulfilling the obligation of advance notice, the employer is entitled to deduct from any amount due to the employee, as compensation agreed in advance, an amount equal to the ordinary wage which the employee would have received for the period of the advance notice in which he did not work. This, without detracting from the right of the Company to claim from the employee in the stead of the agreed compensation, the damages which were actually caused to it by the employee not fulfilling his duty to provide advance notice.

1.8 Notwithstanding that stated above, and without detracting from its rights under this agreement, the Company shall be entitled to terminate the employment of the employee without the need for advance notice and without detracting from any remedy to which the Company is entitled at law and/or under the agreement, upon the occurrence of one or more of the following instances: (1) The employee embezzled company funds, (2) The employee fundamentally breached this agreement, (3) The employee carried out or was involved in an act, action or omission constituting breach of fiduciary duty against the Company, (4) The employee breached discipline, (5) The conduct of the employee caused heavy damages to the Company, (6) The employee was convicted of a crime, (7) The employee is unable to fulfill his position of the Company for a period exceeding 90 consecutive days. Return to work for period shorter than 15 days consecutively shall not end the consecutive 90 days as mentioned.

1.9 The employee shall not have any right to withhold assets of the Company, its equipment or any other material including information and secret information as defined in Appendix B to this agreement (hereinafter: "**company equipment**") in his possession. The employee will return to the Company all of the Company equipment in his possession not later than the date of the termination of the employer-employee relations and upon his departure for a vacation in excess of 30 days (including maternity leave or vacation in respect of advance notice) - prior to departing for vacation as stated or within seven days of the demand to do so from the Company.

2. **Consideration**

In consideration for the work in the Company and fulfillment of the provisions of this agreement and subject to that stated in this agreement including its appendices, the employee will be entitled to wage, terms and benefits as specified in Appendix A attached.

3. **Confidentiality, Non-compete and Ownership in Inventions**

Together with the signature upon this agreement, the employee will sign upon an undertaking towards the Company in connection with confidentiality, non-competition and rights in inventions in favor of the Company and any subsidiary or parent company, attached hereto as **Appendix B.**

4. **Representations and Undertakings**

The employee declares and undertakes a follows:

4.1 That he does not have and did not have in the past any claim against the Company and/or the parent Company in respect of cessation of services to the Companies prior to the date of commencement of the employment and he hereby waives, by irrevocable and informed waiver, any contention and/or claim against the Company and/or the parent Companies arising from a cause of action involving his employment at the Company and/or provision of services to the Company and/or the parent Companies up to the date of this agreement.

4.2 That he is not bound in any undertaking or other agreements whatsoever preventing him from committing in accordance with the provisions of this agreement and acting the thereunder.

4.3 That to the best of his knowledge he is not breaching any rights and/or undertakings towards his previous employer.

4.4 That he has the ability, the skills and the knowledge required for fulfillment of the position in accordance with the provisions of this agreement.

4.5 That he will notify the Company, immediately without delay, of any matter or issue for which he has or may have, or his close family, a personal matter and/or may cause a conflict of interests with his position and work in the Company.

4.6 That he will not receive any payment and/or other benefit from any third party in direct or indirect connection with his work at the Company. If the employee breaches this clause, then without detracting from the rights of the Company under this agreement and at law, the amount and/or the benefit as stated shall be the property of the Company and will be delivered to its possession and the Company shall be entitled to deduct this amount or the value of the benefit from any amount due to the employee from it.

4.7 That in the framework of performance of his position at the Company he will not make and/or he will not represent any representation and will not commit on behalf of the Company and will not undertake any undertaking and/or will not grant any guarantee on behalf of the Company, save at the instruction of the Company and/or its managers and/or his supervisors, exclusively, in writing and in advance.

4.8 That he agrees and confirms that from time to time he may be required to travel and to stay overseas in the framework of his position.

4.9 That in certain exceptional instances where it shall be necessary, at the decision of the management of the Company, the employee shall participate in a polygraph examination.

4.10 That he undertakes to make use of the equipment of the Company solely and exclusively for performance of his work and in the framework of his position and that he is aware and he agrees that the Company may carry out inspection in the offices of the Company and the computers of the Company including the transmission of email and the manner of the use of the Internet and the contents of any of these. For the sake of removal of doubt it is clarified hereby that the findings of the inspection shall be the exclusive property of the Company.

4.11 That in any event of cancellation of this agreement for any reason whatsoever, the employee will cooperate with the Company and will to the best of his ability assist the Company in an orderly transfer of his position in the Company and provide proper instruction to his intended replacement in the position.

5. **General Provisions**

5.1 This agreement and all of the appendices attached thereto constitute the full agreement between the parties thereto and supersede any agreements, offers, understandings and arrangements made prior, whether orally or in writing, if any were made, between the parties in connection with the subject of this agreement.

5.2 Any change and/or addition to this agreement will bind the parties to the agreement and be valid towards them only if made in writing and signed by the parties.

5.3 The Israeli Law shall apply to this agreement and it shall be interpreted according to it. The regional labor court in Tel Aviv shall have sole and exclusive jurisdiction in any matter arising from this agreement or related to it.

5.4 The non-validity and/or cancellation and/or invalidation of any of the individual provisions of this agreement and its appendices shall not prejudice the complete validity of the remaining provisions of this agreement and its appendices.

5.5. The employee confirms and declares that he has thoroughly read and understands all of the provisions of this agreement and its appendices, that he accepts these provisions without reservation and he signs upon the agreement and the appendices willingly and with full consent.

5.6 Any notice which was sent from one party to the other at the address of the party as determined in the heading to this agreement or any other address which the party shall have notified upon in accordance with the provisions of this clause, by registered post or personal delivery will be deemed as received, when sent by registered post, four business days after its delivery to the post office and if delivered personally, upon its delivery, and provided that confirmation of delivery is received.

IN WITNESS WHEREOF, the parties had signed.

/s/ Uzi Sofer	**/s/ Hadar Levy**
Brain Research & Development Services, Ltd.	The Employee
By: *Uzi Sofer*	*Hadar Levy*
Position: *CEO*	

[company stamp]

Appendix A - Consideration

1. **Wage**

In respect of his full-time work at the Company, the employee will be entitled to a gross monthly wage of NIS 21,000 ("**the basic wage**") and starting on March 1, 2015, he shall be entitled to a gross monthly wage of NIS 23,000.

In the framework of his work, the employee will receive a vehicle equivalent to a Mazda 6 or similar at the request of the employee and subject to approval of the CEO, for use at work.

The employee will be entitled at the end of each 12 months to a bonus of up to two monthly wages at the discretion of the CEO and the attainment of targets which shall be determined.

2. **Insurance Policy**

Starting on the date of commencement of employment, subject to directives which shall be determined from time to time by the income tax commission, the Company shall insure the employee with a "Managers Insurance Plan" (hereinafter: "**managers insurance**") and will transfer as follows: 1) The Company will pay an amount equal to 6% of the basic wage together with overtime hours of the employee into managers insurance for the employee (hereinafter: "**share of the Company**"), and will deduct 5% of the basic wage together with the overtime hours of the employee (hereinafter: "**share of the Employee**") and will pay this amount into the managers insurance for the employee (the division of the components of the managers insurance into savings and risk will be determined at the discretion of the employee. 2) The Company will pay an amount equal to 8 1/3% of the basic wage of the employee into a severance pay fund.

The employee hereby directs the Company to transfer into the managers insurance the amount constituting the share of the employee and the employer from each payment of his monthly wage. From the sake of removal of doubt, in the event that the employee shall accumulate a cumulative amount in the fund which exceeds the minimum amount determined in the income tax order, the surplus amount will be deemed as income for tax purposes.

Continuing Education Fund

Starting on the date of commencement of work, subject to the instructions which shall be determined from time to time as directed by the income tax commission, the employee and the employer will transfer 2.5% and 7.5% respectively from the basic wage of the employee together with overtime hours into a continuing education fund.

3. **Release of Funds**

3.1 Without detracting from the right of the Company at law and/or under this agreement, the managers insurance plan will be transferred to the employee, subject to applicable law and fulfillment of all of the undertakings of the employee as towards the Company upon termination of the employment of the

employee for any reason with the exception of circumstances of termination as stated in Clause 1.7 of the agreement.

3.2 It is clarified hereby that under Article 14 of the Severance Pay Law-1963 (hereinafter in this clause: "**the law**") and the general approval regarding payments of employers into pension funds and insurance funds in the stead of severance pay attached to this agreement (hereinafter: "**the approval**"), the amount which shall be accumulated for the employee in the insurance policy during the course of his work at the Company and until the date of termination of employment, will come in the stead of severance pay.

Under the provisions of the approval, the employer hereby waives any rights he may have to a return of the funds which he paid, save if the employee was denied severance pay subject to the circumstance described in this agreement and in Articles 16 and 17 of the law and to such extent as was denied, the employee withdrew the funds from the pension fund or the insurance fund other than for an entitling event. For this matter, "Entitling Event" - death, disability or retirement at the age of 60 or more.

4. **Vacation, Sick Pay and Recuperation Pay**

Subject to the provisions of the Annual Vacation Law - 1951 ("**Annual Vacation Law**"), the employee will be entitled to a 21-workday vacation in respect of each 12 months of employment and provided that the vacation as stated is credited to the employee only in the following 2 years of employment. If the employee has not utilized the number of vacation days due to him during the course of a work year, he shall be entitled to redeem unutilized workdays in accordance with the provisions of the Annual Vacation Law. It is clarified that the dates of the vacation shall be determined by the Company in coordination with the employee.

The dates of the departure for vacation will be determined by the Company in accordance with its possibilities and needs and when possible, taking into account the desires of the employee. The Company will be entitled to enact a uniform annual vacation for its employees, all or part thereof, for some of the vacation days or all of them, as it shall deem fit.

Sick pay and recuperation pay will be paid at law.

5. **Taxes**

The Company will withhold or will obligate the employee in taxes and/or any other obligatory payments as required at law in connection with or arising from the consideration paid to the employee and/or received by him and in connection with any benefits to which the employee is entitled or maybe entitled.

Appendix B - Deed of Undertaking

Whereas: Brain Research & Development Services Ltd. (hereinafter: Brain Research & Development Services Ltd. and each of its subsidiaries, parent companies or associated companies - "**the Company**") seeks to employ the employee subject to provision of this undertaking (hereinafter: "**the undertaking**").

And whereas: Hadar Levy, ID Number 25176884 of Street (hereinafter: "**the employee**"), seeks to engage under terms of employment as stated.

Accordingly, the employee declares and undertakes towards the Company as follows:

1. **Confidential Information**

The employer recognizes that he shall have access to confidential information, to information related to the activity of the Company and technologies related to the Company, research, development of products, patents, copyrights, commercial secrets, customers, (including client lists), marketing plans, strategies, forecasts, trade secrets, test results, experiments and trials, formulas, processes, information, knowledge, improvements, inventions, techniques, and products (existing and/or planned). Information as stated in any form whatsoever, whether document, written, oral, computerized or magnetic media, shall be deemed "**confidential information**".

The employee will not disclose during the course of his employment in the Company or at any time thereafter for any reason whatsoever to any person, corporation, partnership or any entity whatsoever, any confidential information, whether orally, in writing or in any other manner, which shall reach the employee or was brought to his awareness in the period of his employment in the Company and including, processes and technologies which serve or shall serve the Company in its business, the methods and results of the research of the Company, technical or financial information, the terms of employment of the employee and of other employees in the Company or any other information known about the business of the Company and any information in connection with customers of the Company unless he has received the consent of the Company in advanced and in writing.

2. Confidential information will be deemed to include all confidential information which was delivered by, for or on behalf of the Company without taking into account its format, with the exception of information which the employee can prove has become public knowledge other than as a result of the breach of this undertaking by the employee.

3. The employee agrees that all of the memoranda, the books, the lists, the reports (including all types of media or format), the diagrams, the formulas, the specifications, lists and any other document which was prepared, collected, analyzed, received, held or used by the employee during his employment at the Company, in connection with any stage in the business of the Company or its commercial secrets (hereinafter: "**the material**"), shall be the exclusive property of the Company and be transferred by the

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employee to the Company upon termination of the period of his employment or at any time prior thereto or otherwise at the demand of the Company, without the employee maintaining any copies of the aforementioned and without the employee having a right to withhold them.

4 **Unfair Competition and Prohibited Incitement**

The employee agrees that the provisions of this undertaking are reasonable and required for the legal protection of the confidential information of the Company, its property (including its intellectual property) and reputation ("**the principal assets of the Company**"). The employee declares that he has thoroughly read the provisions of this undertaking and he understands the results of this undertaking and agrees to that stated therein and that he has estimated for himself the advantages and disadvantages involved in engaging in this undertaking. Accordingly, the employee undertakes:

That during the course of his employment in the Company and for a period of 12 months thereafter, he will not engage, establish, develop or in any other manner be involved, directly or indirectly, as an employee, owner, partner, agent, shareholder, director, adviser or in any other manner, in any business, occupation, work or any other activity which may reasonably include or be related to use of the principal assets of the Company (as defined above).

That during the course of his employment at the Company and for 12 months thereafter, he shall not incite any employee of the Company or anyone of its subsidiaries, parent Companies or associated Companies to cease his employment with them.

5. **Ownership of Inventions**

The employee will notify and will deliver to the Company or to whomever is appointed by it, any information, improvement, invention, formula, process, technique, knowledge and information, whether a patent can be registered upon these or not, which was made or raised as an idea or was carried out or was learned by the employee, alone or jointly with others, during his employment at the Company (and including after the work hours, on weekends or on vacation) (all information as stated, improvements, inventions, formula, processes, techniques, knowledge and information will hereinafter be defined as: "**inventions**" or "**the invention**") and this immediately upon their discovery or receipt of invention, as the case may be. If the employee was prevented for any reason from delivering the invention at the time of the provision of the notice upon the invention, the employee will notify the Company of the invention and specify in the notice the date at which it shall be delivered to the employer and the reason for its non-delivery immediately, and thereafter, as early as possible the invention itself shall be delivered.

The granting of a notice and delivery of the invention shall be made in writing, together with detailed description of the invention and proper documentation. The employee agrees that any invention shall be the exclusive property of the Company and its transferees and that the Company and its transferees shall be the sole owners of any

patents and other rights in connection with the inventions as stated. The employee hereby assigns to the Company all of his rights, existing and future, in the inventions as stated. For the sake of removal of doubt, it is clarified hereby that a lack of a response from the Company with regard to notice regarding an invention or its delivery, shall not be interpreted as waiver of ownership of the invention, and in any event the invention shall be the property of the Company only.

The employee agrees in connection with all of the inventions indicated above to assist the Company or a party appointed by it, in any suitable manner to receive from time to time and to carry out any act including the implementation and registration of the invention in any manner including by way of registration of a patent for the invention as stated in any country whatsoever and to sign upon all of the documents required for submission for patent over the invention as stated and its implementation, as the Company shall desire, including deeds of assignment of the invention as stated to the Company or persons or entities appointed by it.

The employee **will not** be entitled, in anything related to that stated above, to any monetary or other consideration beyond that stated in Appendix A to this agreement or beyond that stated in any other special agreement or arrangements in this matter which were made in writing and signed by the Company. In everything related to that stated above, there shall be no validity to any arrangement, engagement or agreement made orally or made in writing without being lawfully signed by the Company.

6. **General**

The employee agrees that the provisions of this undertaking, which constitute an inseparable part of the terms of his employment, are reasonable and required for protection of the legitimate interests of the Company in connection with the matter in question in this undertaking.

If any legal forum shall determine that any of the provisions in this undertaking (including rule, paragraph or part thereof) is not valid or unenforceable, such provisions shall be deemed to have been amended to erase from them the parts which were determined as stated are not valid or not enforceable. Such erasure shall apply only to the requirements and duties noted in the provision as stated in the jurisdiction in which the decision was rendered. In addition, if it is determined that a certain provision included in this undertaking is too broad with regard to the timeframes indicated therein, geographic scope, activity or subject, it shall be interpreted such that the provision as stated shall be limited and restricted in connection with such characteristic such that the provision shall be enforceable to the greatest extent possible which accords with the law applying as shall be from time to time.

The provisions of this undertaking shall remain fully valid also after termination of the period of the agreement between the Company and the employee for any reason whatsoever. This undertaking shall not serve in any manner to detract from the undertakings and liabilities of the employee at law.

Signature: /s/ Hadar Levy

Appendix to Employment Agreement

Between: Brain Research and Development Services, Ltd.
19 Hartum, Jerusalem
Hereinafter: ("**the Company**")
Of the one part

And between: Levy Hadar ID
Address:
Hereinafter: ("**the employee**")
Of the second part

Whereas: And the employee began working at the Company on September 14, 2014 and the parties signed upon the employment agreement (hereinafter: "**the employment agreement**").

And whereas: The parties wish to add and to change certain provisions in the employment agreement as specified in this appendix, which shall apply between the parties and shall be valid as are valid the provisions of the employment agreement for all intents and purposes.

Accordingly it is agreed, stipulated and declared between the parties as follows:

1. It is agreed between the parties that starting on June 1, 2015 the provisions of Clause 1 in Appendix A of the employment agreement shall be replaced with the following:

1.1 *In consideration for his work for the Company, the Company shall pay the employee a monthly wage in a total of NIS 31,644 (hereinafter: "**basic wage**"). In addition, the employee will receive payment in an amount of NIS 7,911 for work of up to 30 overtime hours which he shall carry out (hereinafter: "**the global consideration**").*

1.2 *The base wage together with the global consideration shall hereinafter be called in this agreement: "the determining wage".*

1.3 *The determining wage will be the basis for the provisions for social benefits as stated in this agreement and for severance pay. It is clarified hereby that any grant and/or bonus and/or participation in expenses and/or refund of expenses and/or any other benefits which the employee will receive (if any) do not constitute part of the determining wage for purposes of social benefits including severance pay and/or provision for the various funds.*

1.4 *Nothing in that stated above has the effect of detracting or derogating from the duty of the employee to fulfill the directives of the Company with regard to recording of attendance and hours of work.*

2. Subject to that stated in Clause 1 above - the remaining terms of employment of the employee at the Company will remain unchanged.

3. This appendix constitutes an inseparable part of the employment agreement. It is declared and agreed between the parties that in the event of contradiction between the provisions of this appendix and those of the employment agreement - the provisions of this agreement shall supersede and such provision in this appendix shall come in the stead of the contradictory provision in the employment agreement.

IN WITNESS WHEREOF, the parties have signed to date , the month of the year 2015.

/s/ Hadar Levy	**/s/ Uzi Sofer**
Signature of Employee	Signature of Brain Research & Development Services, Ltd.

Exhibit 10.7

PUBLIC HEALTH SERVICE

PATENT LICENSE AGREEMENT— *EXCLUSIVE*

COVER PAGE

For PHS internal use only:

Patent License Number:
A-046-2003

Serial Number(s) of Licensed Patent(s) and/or Patent Application(s):

PCT Application No. PCT/US01/50737, "Coil For Magnetic Stimulation and Methods For Using The Same," (filed 10/19/2001) claiming priority from U.S. Provisional Application No. 60/242,297 (filed 10/20/2000) by Zangen et al.

Licensee:

BRAINSWAY, Inc. and Affiliate(s) as successors in interest to BrainGates, Inc.

Cooperative Research and Development Agreement (CRADA) Number (if applicable):

Additional Remarks:

Public Benefit(s):

This Patent License Agreement, hereinafter referred to as the **"Agreement",** consists of this Cover Page, an attached **Agreement,** a Signature Page, Appendix A (List of Patent(s) and/or Patent Application(s)), Appendix B (Fields of Use and Territory), Appendix C (Royalties), Appendix D (Modifications), Appendix E (Benchmarks), and Appendix F (Commercial Development Plan). The Parties to this **Agreement** are:

1) The National Institutes of Health (“NIH”), the Centers for Disease Control and Prevention (“CDC”), or the Food and Drug Administration (“FDA”), hereinafter singly or collectively referred to as “**PHS**”, agencies of the United States Public Health Service within the Department of Health and Human Services (“**DHHS**”); and

2) The person, corporation, or institution identified above and/or on the Signature Page, having offices at the address indicated on the Signature Page, hereinafter referred to as **“Licensee”**.

PHS and **Licensee** agree as follows:

1. BACKGROUND

1.01 In the course of conducting biomedical and behavioral research, **PHS** investigators made inventions that may have commercial applicability.

1.02 By assignment of rights from **PHS** employees and other inventors, **DHHS,** on behalf of the United States Government, owns intellectual property rights claimed in any United States and/or foreign patent applications or patents corresponding to the assigned inventions. **DHHS** also owns any tangible embodiments of these inventions actually reduced to practice by **PHS.**

1.03 The Secretary of **DHHS** has delegated to **PHS** the authority to enter into this **Agreement** for the licensing of rights to these inventions and **PHS** represents that it is entitled to grant **Licensee** the rights provided hereunder.

1.04 **PHS** desires to transfer these inventions to the private sector through commercialization licenses to facilitate the commercial development of products and processes for public use and benefit.

1.05 **Licensee** desires to acquire commercialization rights to certain of these inventions in order to develop processes, methods, and/or marketable products for public use and benefit.

2. DEFINITIONS

2.01 **"Benchmarks"** mean the performance milestones that are set forth in Appendix E.

2.02 **"Commercial Development Plan"** means the written commercialization plan attached as Appendix F.

2.03 **"First Commercial Sale"** means the initial transfer by or on behalf of **Licensee** or its sublicensees of **Licensed Products** or the initial practice of a **Licensed Process** by or on behalf of **Licensee** or its sublicensees in exchange for cash or some equivalent to which value can be assigned for the purpose of determining **Net Sales.**

2.04 **"Government"** means the Government of the United States of America.

2.05 **"Licensed Fields of Use"** means the fields of use identified in Appendix B.

2.06 **"Licensed Patent Rights"** shall mean:

a) Patent applications (including provisional patent applications and PCT patent applications) and/or patents listed in Appendix A, all divisions and continuations of these applications, all patents issuing from such applications, divisions, and continuations, and any reissues, reexaminations, and extensions of term for all such patents;

b) to the extent that the following contain one or more claims directed to the invention or inventions disclosed in a) above: i) continuations-in-part of a) above; ii) all divisions and continuations of these continuations-in-part; iii) all patents issuing from such continuations-in-part, divisions, and continuations; iv) priority patent application(s) of a) above; and v) any reissues, reexaminations, and extensions of all such patents;

c) to the extent that the following contain one or more claims directed to the invention or inventions disclosed in a) above: all counterpart foreign and U.S. patent applications and patents to a) and b) above, including those listed in Appendix A.

Licensed Patent Rights shall *not* include b) or c) above to the extent that they contain one or more claims directed to new matter which is not the subject matter disclosed in a) above.

2.07 **"Licensed Process(es)"** means processes which, in the course of being practiced would be within the scope of one or more claims of the **Licensed Patent Rights** that have not been held unpatentable, invalid or unenforceable by an unappealed or unappealable judgment of a court of competent jurisdiction.

2.08 **"Licensed Product(s)"** means tangible materials which, in the course of manufacture, use, sale, or importation would be within the scope of one or more claims of the **Licensed Patent Rights** that have not been held unpatentable, invalid or unenforceable by an unappealed or unappealable judgment of a court of competent jurisdiction.

2.09 **"Licensed Territory"** means the geographical area identified in Appendix B.

2.10 **"Net Sales"** means the total gross receipts for commercial sales of **Licensed Products** or commercial practice of **Licensed Processes** by or on behalf of **Licensee** or its sublicensees, and from leasing, renting, or otherwise making **Licensed Products** available to others without sale, less returns and allowances, packing costs, insurance costs, freight out, taxes or excise duties imposed on the transaction (if separately invoiced), and wholesaler and cash discounts in amounts customary in the trade to the extent actually granted. No deductions shall be made for commissions paid to individuals, whether they be with independent sales agencies or regularly employed by **Licensee**, or sublicensees, and on its payroll, or for the cost of collections.

2.11 **"Practical Application"** means to manufacture in the case of a composition or product, to practice in the case of a process or method, or to operate in the case of a machine or system; and in each case, under such conditions as to establish that the invention is being utilized and that its benefits are to the extent permitted by law or **Government** regulations available to the public on reasonable terms.

2.12 **"Research License"** means a nontransferable, nonexclusive license to make and to use the **Licensed Products** or **Licensed Processes** as defined by the **Licensed Patent Rights** for purposes of research and not for purposes of commercial manufacture or distribution.

2.13 **"Affiliate"** means any corporation, company, partnership or other entity controlled by or under common control with either party. For the purpose of the foregoing definition **"control"** shall mean the holding of 51% or more of the voting rights in, or the right to appoint 51% or more of the directors or managers of, the said corporation, company, partnership or entity.

2.14 **"Effective Date"** means the date on which all parties have signed the **Agreement.**

2.15 **"Licensee"** means Brainsway, Inc., as successors in interest to BrainGates, Inc., and **Affiliate(s).**

3. GRANT OF RIGHTS

3.01 **PHS** hereby grants and **Licensee** accepts, subject to the terms and conditions of this **Agreement,** an exclusive license under the **Licensed Patent Rights** in the **Licensed Territory** to develop, to make and have made, to use and have used, to sell and have sold, to offer to sell, and to import any **Licensed Products** in the **Licensed Fields of Use** and to practice and have practiced any **Licensed Processes** in the **Licensed Fields of Use**.

3.02 This **Agreement** confers no license or rights by implication, estoppel, or otherwise under any patent applications or patents of **PHS** other than **Licensed Patent Rights** regardless of whether such patents are dominant or subordinate to **Licensed Patent Rights. PHS** represents that to the best of its knowledge, other than the **Licensed Patent Rights**, there are no other patents or patent applications owned by or subject to assignment to **PHS** in the area of transcranial magnetic stimulation. In the event **PHS** discovers other patents or patent applications owned by or subject to assignment to **PHS** relating to transcranial magnetic stimulation and that are not licensed to **Licensee** under this **Agreement, PHS** shall promptly inform **Licensee** thereof and make reasonable efforts to license such patent application(s) and/or patent(s) to **Licensee** via an amendment to this Agreement.

4. SUBLICENSING

4.01 Upon written approval by **PHS,** which approval will not be unreasonably withheld, **Licensee** may enter into sublicensing agreements under the **Licensed Patent Rights.**

4.02 **Licensee** agrees that any sublicenses granted by it shall provide that the obligations to **PHS** of Paragraphs 5.01-5.04, 8.01, 10.01, 10.02, 12.05, and 13.07-13.09 of this **Agreement** shall be binding upon the sublicensee as if it were a party to this **Agreement. Licensee** further agrees to attach copies of these Paragraphs to all sublicense agreements.

4.03 Any sublicenses granted by **Licensee** shall provide for the termination of the sublicense, or the conversion to a license directly between such sublicensees and **PHS,** at the option of the sublicensee, upon termination of this **Agreement** under Article 13. Such conversion is subject to **PHS** approval and contingent upon acceptance by the sublicensee of the remaining provisions of this **Agreement.**

4.04 **Licensee** agrees to forward to **PHS** a copy of each fully executed sublicense agreement postmarked within thirty (30) days of the execution of such agreement. To the extent permitted by law, **PHS** agrees to maintain each such sublicense agreement in confidence.

5. STATUTORY AND PHS REQUIREMENTS AND RESERVED GOVERNMENT RIGHTS

5.01 **PHS** reserves on behalf of the **Government** an irrevocable, nonexclusive, nontransferable, royalty-free license for the practice of all inventions licensed under the **Licensed Patent Rights** throughout the world by or on behalf of the **Government** and on behalf of any foreign government or international organization pursuant to any existing or future treaty or agreement to which the **Government** is a signatory.

5.02 **Licensee** agrees that products used or sold in the United States embodying **Licensed Products** or produced through use of **Licensed Processes** shall be manufactured substantially in the United States, unless a written waiver is obtained in advance from **PHS.**

5.03 **Licensee** acknowledges that **PHS** may enter into future Cooperative Research and Development Agreements (CRADAs) under the Federal Technology Transfer Act of 1986 that relate to the subject matter of this **Agreement. Licensee** agrees not to unreasonably deny requests for a **Research License** from such future collaborators with **PHS** when acquiring such rights is necessary in order to make a Cooperative Research and Development Agreement (CRADA) project feasible. **Licensee** may request an opportunity to join as a party to the proposed Cooperative Research and Development Agreement (CRADA), which request shall not be unreasonably withheld. If **Licensee** is the sole CRADA partner, they shall have the first right of refusal to exclusively license the CRADA Subject Invention arising from such CRADA. If **Licensee** is one of several CRADA partners in a given CRADA, **Licensee** shall be free to negotiate terms to share, contract, or both share and contract with other non-**PHS** CRADA partners to license the Subject Invention.

5.04 In addition to the reserved license of Paragraph 5.01 above, **PHS** reserves the right to grant nonexclusive **Research Licenses** directly or to require **Licensee** to grant nonexclusive **Research Licenses** on reasonable terms. The purpose of this **Research License** is to encourage basic research, whether conducted at an academic or corporate facility. In order to safeguard the **Licensed Patent Rights,** however, **PHS** shall consult with **Licensee** before granting to commercial entities a **Research License** or providing to them research samples of materials made through the **Licensed Processes.** In said consultation with **Licensee, PHS** shall consider, in good faith, objections raised by **Licensee** regarding the grant of **Research Licenses** that may impact the exclusivity of the rights granted hereunder and shall not unreasonably deny such objections.

5.05 Other than Article 5 and Article 13 of this **Agreement, PHS** shall not grant any commercial patent license or other right within the **Licensed Fields of Use** of this **Agreement** to any third party with respect to the **Licensed Products** or **Licensed Process,** unless **Licensee** grants prior written approval to such a grant of rights or unless this **Agreement** has been terminated pursuant to Article 13.

6. ROYALTIES AND REIMRURSEMENT

6.01 **Licensee** agrees to pay to **PHS** a noncreditable, nonrefundable license issue royalty as set forth in Appendix C within the time schedule provided therein.

6.02 **Licensee** agrees to pay to **PHS** a nonrefundable minimum annual royalty as set forth in Appendix C. The minimum annual royalty is due and payable on January 1 of each calendar year and may be credited against any earned royalties due for sales made in that year.

6.03 Licensee agrees to pay **PHS** earned royalties as set forth in Appendix C.

6.04 **Licensee** agrees to pay **PHS** benchmark royalties as set forth in Appendix C.

6.05 **Licensee** agrees to pay **PHS** sublicensing royalties as set forth in Appendix C.

6.06 A patent or patent application licensed under this **Agreement** shall cease to fall within the **Licensed Patent Rights** for the purpose of computing earned royalty payments in any given country on the earliest of the dates that a) the application has been abandoned and not continued, b) the patent expires or irrevocably lapses, or c) the claim has been held to be invalid or unenforceable by an unappealed or unappealable decision of a court of competent jurisdiction or administrative agency.

6.07 No multiple royalties shall be payable because any **Licensed Products** or **Licensed Processes** are covered by more than one of the **Licensed Patent Rights.**

6.08 On sales of **Licensed Products** by **Licensee** to sublicensees or on sales made in other than an arm's-length transaction, the value of the **Net Sales** attributed under this Article 6 to such a transaction shall be that which would have been received in an arm's-length transaction, based on sales of like quantity and quality products on or about the time of such transaction.

6.09 With regard to expenses associated with the preparation, filing, prosecution, and maintenance of all patent applications and patents included within the **Licensed Patent Rights** incurred by **PHS** prior to the **Effective Date** of this **Agreement, Licensee** shall pay to **PHS,** as an additional royalty, Twelve Thousand One Hundred and Nineteen Dollars ($12,119) within thirty (30) days of the **Effective Date** of the **Agreement,** and Ten Thousand Dollars ($10,000) by December 31, 2003.

6.10 With regard to expenses incurred or to be incurred by **PHS** associated with filing national stage applications associated with the **Licensed Patent Rights, Licensee** shall pay to **PHS,** as an additional royalty of Five Thousand Dollars ($5,000) within thirty (30) days of the **Effective Date** of this **Agreement,** Five Thousand Dollars ($5,000) by March 30th, 2004, and the remaining balance of such expenses incurred by **PHS** associated with said national stage filing cost by December 30th, 2004, provided that such balance shall not exceed $35,000.

6.11 Subject to Paragraph 7.01, **Licensee** shall assume responsibility for the preparation, filing, prosecution, or maintenance of any patent application or patent included with the **Licensed Patent Rights** on and after the Effective **Date** of this **Agreement. Licensee** shall directly pay the attorneys or agents engaged by it to prepare, file, prosecute, or maintain such patent applications or patents and shall provide **PHS** with copies of each invoice associated with such services as well as documentation that such invoices have been paid.

6.12 **Licensee** may elect to surrender its rights in any country of the **Licensed Territory** under any **Licensed Patent Rights** upon ninety (90) days written notice to **PHS** and owe no payment obligation under Paragraph 6.10 for patent-related expenses incurred in that country after ninety (90) days of the effective date of such written notice.

7. PATENT FILING, PROSECUTION, AND MAINTENANCE

7.01 Upon the execution of this **Agreement,** and following filing of national stage applications for the **Licensed Patent Rights** that shall be done at the full responsibility of **PHS** after consultation with **Licensee, Licensee** shall assume the responsibility for the preparation, filing, prosecution, and maintenance of any and all patent applications or patents included in the **Licensed Patent Rights** and shall on an ongoing basis promptly furnish copies of all patent-related documents to **PHS.** In such event, **Licensee** shall, subject to the prior approval of **PHS,** select registered patent attorneys or patent agents to provide such services on behalf of **Licensee** and **PHS. PHS** shall provide appropriate powers of attorney and other documents necessary to undertake such actions to the patent attorneys or patent agents providing such services. **Licensee** and its attorneys or agents shall consult with **PHS** in all aspects of the preparation, filing, prosecution and maintenance of patent applications and patents included within the **Licensed Patent Rights** and shall provide **PHS** sufficient opportunity to comment on any document that **Licensee** intends to file or to cause to be filed with the relevant intellectual property or patent office.

7.02 Each party shall promptly inform the other as to all matters that come to its attention that may affect the preparation, filing, prosecution, or maintenance of the **Licensed Patent Rights** and permit each other to provide comments and suggestions with respect to the preparation, filing, prosecution, and maintenance of **Licensed Patent Rights,** which comments and suggestions shall be considered by the other party.

7.03 At any time, **PHS** may provide **Licensee** with written notice that **PHS** wishes to assume control of the preparation, filing, prosecution, and maintenance of any and all patent applications or patents included in the **Licensed Patent Rights.** If **PHS** elects to assume such responsibilities, **Licensee** agrees to cooperate fully with **PHS,** its attorneys, and agents in the preparation, filing, prosecution, and maintenance of any and all patent applications or patents included in the **Licensed Patent Rights** and to provide **PHS** with complete copies of any and all documents or other materials that **PHS** deems necessary to undertake such responsibilities. **Licensee** shall be responsible for all costs associated with transferring patent prosecution responsibilities to an attorney or agent of **PHS's** choice.

8. RECORD KEEPING

8.01 **Licensee** agrees to keep accurate and correct records of **Licensed Products** made, used, sold, or imported and **Licensed Processes** practiced under this **Agreement** appropriate to determine the amount of royalties due **PHS.** Such records shall be retained for at least five (5) years following a given reporting period and shall be available during normal business hours for inspection at the expense of **PHS** by an accountant or other designated auditor selected by **PHS** for the sole purpose of verifying reports and payments hereunder. The accountant or auditor shall only disclose to **PHS** information relating to the accuracy of reports and payments made under this **Agreement** If an inspection shows an underreporting or underpayment in excess of five percent (5%) for any twelve (12) month period, then **Licensee** shall reimburse **PHS** for the cost of the inspection at the time **Licensee** pays the unreported royalties, including any late charges as required by Paragraph 9.08 of this **Agreement.** All payments required under this Paragraph shall be due within thirty (30) days of the date **Licensee** receives notice from **PHS** of the payment due.

8.02 **Licensee** agrees to have an audit of sales and royalties conducted by an independent auditor at least every two (2) years if annual sales of the **Licensed Product** or **Licensed Processes** are over two (2) million dollars. The audit shall address, at a minimum, the amount of gross sales by or on behalf of **Licensee** during the audit period, terms of the license as to percentage or fixed royalty to be remitted to the **Government,** the amount of royalty funds owed to the **Government** under this **Agreement,** and whether the royalty amount owed has been paid to the **Government** and is reflected in the records of the **Licensee**. The audit shall also indicate the **PHS** license number, product, and the time period being audited. A report certified by the auditor shall be submitted promptly by the auditor directly to **PHS** on completion. **Licensee** shall pay for the entire cost of the audit.

9. RFPORTS ON PROGRESS, BENCHMARKS, SALES, AND PAYMEMTS

9.01 Prior to signing this **Agreement, Licensee** has provided to **PHS** the **Commercial Development Plan** at Appendix F, under which **Licensee** intends to bring the subject matter of the **Licensed Patent Rights** to the point of **Practical Application.** This **Commercial Development Plan** is hereby incorporated by reference into this **Agreement.** Based on this plan, performance **Benchmarks** are determined as specified in Appendix E.

9.02 **Licensee** shall provide written annual reports on its product development progress or efforts to commercialize under the **Commercial Development Plan** for each of the **Licensed Fields of Use** within sixty (60) days after December 31 of each calendar year. These progress reports shall include, but not be limited to: progress on research and development, status of applications for regulatory approvals, manufacturing, sublicensing, marketing, importing, and sales during the preceding calendar year, as well as plans for the present calendar year. **PHS** also encourages these reports to include information on any of **Licensee's** public service activities that relate to the **Licensed Patent Rights.** If reported progress differs from that projected in the **Commercial Development Plan** and **Benchmarks, Licensee** shall explain the reasons for such differences. In any such annual report, **Licensee** may propose amendments to the **Commercial Development Plan,** acceptance of which by **PHS** may not be denied unreasonably. **Licensee** agrees to provide any additional information reasonably required by **PHS** to evaluate **Licensee's** performance under this **Agreement. Licensee** may amend the **Benchmarks** at any time upon written consent by **PHS. PHS** shall not unreasonably withhold approval of any request of **Licensee** to extend the time periods of this schedule if such request is supported by a reasonable showing by **Licensee** of diligence in its performance under the **Commercial Development Plan** and toward bringing the **Licensed Products** to the point of **Practical Application** as defined in 37 CFR § 404.3(d). **Licensee** shall amend the **Commercial Development Plan** and **Benchmarks** at the request of **PHS** to address any **Licensed Fields of Use** not specifically addressed in the plan originally submitted.

9.03 **Licensee** shall report to **PHS** the dates for achieving **Benchmarks** specified in Appendix E and the **First Commercial Sale** in each country in the **Licensed Territory** within thirty (30) days of such occurrences.

9.04 **Licensee** shall submit to **PHS** within sixty (60) days after each calendar half-year ending June 30 and December 31 a royalty report setting forth for the preceding half-year period the amount of the **Licensed Products** sold or **Licensed Processes** practiced by or on behalf of **Licensee** in each country within the **Licensed Territory,** the **Net Sales,** and the amount of royalty accordingly due. With each such royalty report, **Licensee** shall submit payment of the earned royalties due. If no earned royalties are due to **PHS** for any reporting period, the written report shall so state. The royalty report shall be certified as correct by an authorized officer of **Licensee** and shall include a detailed listing of all deductions made under Paragraph 2.10 to determine **Net Sales** made under Article 6 to determine royalties due.

9.05 **Licensee** agrees to forward semi-annually to **PHS** a copy of such reports received by **Licensee** from its sublicensees during the preceding half-year period as shall be pertinent to a royalty accounting to **PHS** by **Licensee** for activities under the sublicense.

9.06 Royalties due under Article 6 shall be paid in U.S. dollars. For conversion of foreign currency to U.S. dollars, the conversion rate shall be the New York foreign exchange rate quoted in *The Wall Street Journal* on the day that the payment is due. All checks and bank drafts shall be drawn on United States banks and shall be payable, as appropriate, to "NIH/Patent Licensing." All such payments shall be sent to the following address: NIH, P.O. Box 360120, Pittsburgh, PA 15251-6120. Any loss of exchange, value, taxes, or other expenses incurred in the transfer or conversion to U.S. dollars shall be paid entirely by **Licensee.** The royalty report required by Paragraph 9.04 of this **Agreement** shall accompany each such payment, and a copy of such report shall also be mailed to **PHS** at its address for notices indicated on the Signature Page of this **Agreement.**

9.07 **Licensee** shall be solely responsible for determining if any tax on royalty income is owed outside the United States and shall pay any such tax and be responsible for all filings with appropriate agencies of foreign governments.

9.08 Interest and penalties may be assessed by **PHS** on any overdue payments in accordance with the Federal Debt Collection Act. The payment of such late charges shall not prevent **PHS** from exercising any other rights it may have as a consequence of the lateness of any payment.

9.9 All plans and reports required by this Article 9 and marked "confidential" by **Licensee** shall, to the extent permitted by law, be treated by **PHS** as commercial and financial information obtained from a person and as privileged arid confidential, and any proposed disclosure of such records by the **PHS** under the Freedom of Information Act (FOIA), 5 U.S.C,, § 552 shall be subject to the pre-disclosure notification requirements of 45 CFR § 5.65(d).

10. PERFORMANCE

10.01 **Licensee** shall use its reasonable best efforts to bring the **Licensed Products** and **Licensed Processes** to **Practical Application.** "Reasonable best efforts" for the purposes of this provision shall include adherence to the **Commercial Development Plan** at Appendix F and performance of the **Benchmarks** at Appendix E, subject to Paragraph 9.02 of this **Agreement.** The efforts of a sublicensee shall be considered the efforts of **Licensee.**

10.2 Upon the **First Commercial Sale** within the United States, until the expiration of this **Agreement, Licensee** shall use its reasonable best efforts to make **Licensed Products** and **Licensed Processes** reasonably accessible to the United States public.

11. INFRINGEMENT AND PATENT ENFORCEMENT

11.01 **PHS** and **Licensee** agree to notify each other promptly of each infringement or possible infringement of the **Licensed Patent Rights,** as well as any facts which may affect the validity, scope, or enforceability of the **Licensed Patent Rights** of which either Party becomes aware.

11.02 Pursuant to this **Agreement** and the provisions of Chapter 29 of title 35, United States Code, **Licensee** may: a) bring suit in its own name, at its own expense, and on its own behalf for infringement of presumably valid claims in the **Licensed Patent Rights;** b) in any such suit, enjoin infringement and collect for its use, damages, profits, and awards of whatever nature recoverable for such infringement; and c) settle any claim or suit for infringement of the **Licensed Patent Rights** provided, however, that **PHS** and appropriate **Government** authorities shall have the first right to take such actions. If **Licensee** desires to initiate a suit for patent infringement, **Licensee** shall notify **PHS** in writing. If **PHS** does not notify **Licensee** of its intent to pursue legal action within forty five (45) days, **Licensee** will be free to initiate suit **PHS** shall have a continuing right to intervene in such suit. **Licensee** shall take no action to compel the **Government** either to initiate or to join in any such suit for patent infringement. **Licensee** may request the **Government** to initiate or join in any such suit if necessary to avoid dismissal of the suit. Should the **Government** be made a party to any such suit at the request of the **Licensee, Licensee** shall reimburse the **Government** for any costs, expenses, or fees which the **Government** incurs as a result of such motion or other action, including any and all costs incurred by the **Government** in opposing any such motion or other action. In all cases, **Licensee** agrees to keep **PHS** reasonably apprised of the status and progress of any litigation. Before **Licensee** commences an infringement action, **Licensee** shall notify **PHS** and give careful consideration to the views of **PHS** and to any potential effects of the litigation on the public health in deciding whether to bring suit.

11.03 In the event that a declaratory judgment action alleging invalidity or non-infringement of any of the **Licensed Patent Rights** shall be brought against **Licensee** or raised by way of counterclaim or affirmative defense in an infringement suit brought by **Licensee** under Paragraph 11.02, pursuant to this **Agreement** and the provisions of Chapter 29 of Title 35, United States Code or other statutes, **Licensee** may: a) defend the suit in its own name, at its own expense, and on its own behalf for presumably valid claims in the **Licensed Patent Rights;** b) in any such suit, ultimately to enjoin infringement and to collect for its use, damages, profits, and awards of whatever nature recoverable for such infringement; and c) settle any claim or suit for declaratory judgment involving the **Licensed Patent Rights**-provided, however, that **PHS** and appropriate **Government** authorities shall have the first right to take such actions and shall have a continuing right to intervene in such suit. If **PHS** does not notify **Licensee** of its intent to respond to the legal action within a reasonable period; which period shall not exceed ninety (90) days, **Licensee** will be free to do so. Licensee shall take no action to compel the **Government** either to initiate or to join in any such declaratory judgment action. **Licensee** may request the **Government** to initiate or to join any such suit if necessary to avoid dismissal of the suit. Should the **Government** be made a party to any such suit by motion or any other action of **Licensee** at the **Licensee's** request, **Licensee** shall reimburse the **Government** for any costs, expenses, or fees which the **Government** incurs as a result of such motion or other action. If **Licensee** elects not to defend against such declaratory judgment action, **PHS,** at its option, may do so at its own expense. In all cases, **Licensee** agrees to keep **PHS** reasonably apprised of the status and progress of any litigation. Before **Licensee** commences an infringement action, **Licensee** shall notify **PHS** and give careful consideration to the views of **PHS** and to any potential effects of the litigation on the public health in deciding whether to bring suit.

11.04 In any action under Paragraphs 11.02 or 11.03, the expenses including costs, fees, attorney fees, and disbursements, shall be paid by **Licensee.** The value of any recovery made by **Licensee** through court judgment or settlement shall be treated as **Net Sales** and subject to earned royalties. Any and all costs incurred by the **Licensee** in defending the **Licensed Patent Rights,** as provided above, shall be deducted from **Net Sales.**

11.05 **PHS** shall cooperate fully with **Licensee** in connection with any action under Paragraphs 11.02 or 11.03. **PHS** agrees promptly to provide access to all necessary documents and to render reasonable assistance in response to a request by **Licensee.**

12. NEGATION OF WARRANTIES AND INDEMNIFICATION

12.01 **PHS** offers no warranties other than those specified in Article 1.

12.02 **PHS** does not warrant the validity of the **Licensed Patent Rights** and makes no representations whatsoever with regard to the scope of the **Licensed Patent Rights,** or that the **Licensed Patent Rights** may be exploited without infringing other patents or other intellectual property rights of third parties.

12.03 **PHS** MAKES NO WARRANTIES, EXPRESSED OR IMPLIED, OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF ANY SUBJECT MATTER DEFINED BY THE CLAIMS OF THE **LICENSED PATENT RIGHTS** OR TANGIBLE MATERIALS RELATED THERETO.

12.04 **PHS** does not represent that it will commence legal actions against third parties infringing the **Licensed Patent Rights.**

12.05 **Licensee** shall indemnify and hold **PHS,** its employees, students, fellows, agents, and consultants harmless from and against all liability, demands, damages, expenses, and losses, including but not limited to death, personal injury, illness, or property damage in connection with or arising out of: a) the use by or on behalf of **Licensee,** its sublicensees, directors, employees, or third parties of any **Licensed Patent Rights;** or b) the design, manufacture, distribution, or use of any **Licensed Products, Licensed Processes** or materials by **Licensee,** or other products or processes developed in connection with or arising out of the **Licensed Patent Rights. Licensee** agrees to maintain a liability insurance program consistent with sound business practice.

13. TERM, TERMINATION, AND MODIFICATION OF RIGHTS

13.01 This **Agreement** is effective as of the **Effective Date** and shall extend to the expiration of the last to expire of the **Licensed Patent Rights** unless sooner terminated as provided in this Article 13.

13.02 In the event that **Licensee** is in default in the performance of any material obligations under this **Agreement,** including but not limited to the obligations listed in Article 13.05, and if the default has not been remedied within ninety (90) days after the date of notice in writing of such default, **PHS** may terminate this **Agreement** by written notice and pursue outstanding amounts owed through procedures provided by the Federal Debt Collection Act.

13.03 In the event that **Licensee** becomes insolvent, files a petition in bankruptcy, has such a petition filed against it, determines to file a petition in bankruptcy, or receives notice of a third parry's intention to file an involuntary petition in bankruptcy, **Licensee** shall immediately notify **PHS** in writing. **PHS** shall have the right to terminate this **Agreement** immediately upon **Licensee's** receipt of such written notice.

13.04 Notwithstanding anything to the contrary in this **Agreement, Licensee** shall have a unilateral right to terminate this **Agreement** and/or any licenses in any country or territory by giving **PHS** sixty (60) days written notice to that effect In such event. **Licensee** will not have any obligations whatsoever to **PHS,** other than for payments that should have been paid by **Licensee** to **PHS** prior to the date of the notice of termination.

13.05 **PHS** shall specifically have the right to terminate or modify, at its option, this **Agreement,** if **PHS** determines that per the submission incorporated in Appendix F of this **Agreement** the **Licensee:** 1) is not executing the **Commercial Development Plan** of Appendix F with due diligence subject to any amendment thereto pursuant to Paragraph 9.02; 2) has not achieved the **Benchmarks** as may be modified under Paragraph 9.02; 3) has willfully made a false statement of, or willfully omitted, a material fact in the license application or in any report required by this **Agreement;** 4) has committed a material breach of a covenant or agreement contained in under this **Agreement; 5**) is not keeping **Licensed Products** or **Licensed Processes** reasonably available to the public after commercial use commences; 6) cannot reasonably satisfy unmet health and safety needs; 7) cannot reasonably justify a failure to comply with the domestic production requirement of Paragraph 5.02 unless waived. In making this determination, **PHS** will take into account the normal course of such commercial development programs conducted with sound and reasonable business practices and judgment and the annual reports submitted by **Licensee** under Paragraph 9.02. Prior to invoking this right, **PHS** shall give written notice to **Licensee** providing **Licensee** specific notice of, and a ninety (90) day opportunity to respond to, **PHS's** concerns as to the previous items 1) to 7). If **Licensee f**ails to alleviate PHS's concerns as to the previous items 1) to 7) or fails to initiate corrective action to **PHS's** satisfaction, **PHS** may terminate this **Agreement.**

13.06 When the public health and safety so require, and after written notice to **Licensee** providing **Licensee** a sixty (60) day opportunity to respond, **PHS** shall have the right to require **Licensee** to grant sublicenses to responsible applicants, on terms to be reasonably agreed with the **Licensee,** in any **Licensed Fields of Use** under the **Licensed Patent Rights,** unless **Licensee** can reasonably demonstrate that the granting of the sublicense would not materially increase the availability to the public of the subject matter of the **Licensed Patent Rights. PHS** will not require the granting of a sublicense unless the responsible applicant has first negotiated in good faith with **Licensee.** In addition, **Licensee** shall have the right within sixty (60) days of said written notice to submit a written plan, and accordingly modifying Appendices E and F, demonstrating that requirements of public health and safety can be met without the compulsory grant of sublicenses under this Paragraph. **PHS** shall give such a written plan good faith consideration and not unreasonably deny such a plan.

13.07 **PHS** reserves the right according to 35 U.S.C. § 209(f)(4) to terminate or modify this **Agreement** if it is determined that such action is necessary to meet requirements for public use specified by federal regulations issued after the date of the license and such requirements are not reasonably satisfied by, Licensee upon ninety (90) days prior notice.

13.08 Within thirty (30) days of receipt of written notice of **PHS's** decision to modify or terminate this **Agreement, Licensee** may, consistent with the provisions of 37 CFR § 404.11, appeal the decision by written submission to the designated **PHS** official. The decision of the designated **PHS** official shall be the final agency decision. **licensee** may thereafter exercise any and all administrative or judicial remedies that may be available.

13.09 Within ninety (90) days of expiration or termination of this **Agreement** under this Article 13, a final report shall be submitted by **Licensee.** Any royalty payments, including those incurred but not yet paid (such as the full minimum annual royalty), and those related to patent expense, that should be paid by **Licensee** to **PHS** prior to the date of the notice of termination shall become immediately due and payable upon termination or expiration. If terminated under this Article 13, sublicensees may elect to convert their sublicenses to direct licenses with **PHS** pursuant to Paragraph 4.03. Unless otherwise specifically provided for under this **Agreement,** upon termination or expiration of this **Agreement, Licensee** shall return all **Licensed Products** or other materials included within the **Licensed Patent Rights** to **PHS** or provide **PHS** with certification of the destruction thereof.

13.10 Following the expiration of this **Agreement** under this Article 13, as a result of the expiration of the **Licensed Patent Rights** with respect to each of the countries within the **Licensed Territory, Licensee** may continue to market and sell the **Licensed Products** or **Licensed Processes,** within such country with no obligation whatsoever to pay royalties or other consideration to **PHS.**

14. GENERAL PROVISIONS

14.01 Neither Party may waive or release any of its rights or interests in this **Agreement** except in writing. The failure of either Party to assert a right hereunder or to insist upon compliance with any term or condition of this **Agreement** shall not constitute a waiver of that right by either Party or excuse a similar subsequent failure to perform any such term or condition by the other Party.

14.02 This **Agreement** constitutes the entire agreement between the Parties relating to the subject matter of the **Licensed Patent Rights,** and all prior negotiations, representations, agreements, and understandings are merged into, extinguished by, and completely expressed by this **Agreement.**

14.03 The provisions of this **Agreement** are severable, and in the event that any provision of this **Agreement** shall be determined to be invalid or unenforceable under any controlling body of law, such determination shall not in any way affect the validity or enforceability of the remaining provisions of this **Agreement.**

14.04 If either Party desires a modification to this **Agreement,** the Parties shall, upon reasonable notice of the proposed modification by the Party desiring the change, confer in good faith to determine the desirability of such modification. No modification will be effective until a written amendment is signed by the signatories to this **Agreement** or their designees.

14.05 The construction, validity, performance, and effect of this **Agreement** shall be governed by Federal law as applied by the Federal courts in the District of Columbia.

14.06 All notices required or permitted by this **Agreement** shall be given by prepaid, first class, registered or certified mail or by an express/overnight delivery service provided by a commercial carrier, properly addressed to the other Party at the address designated on the following Signature Page, or to such other address as may be designated in writing by such other Party. Notices shall be considered timely if such notices are received on or before the established deadline date or sent on or before the deadline date as verifiable by U.S. Postal Service postmark or dated receipt from a commercial carrier. Parties should request a legibly dated U.S. Postal Service postmark or obtain a dated receipt from a commercial carrier or the U.S. Postal Service. Private metered postmarks shall not be acceptable as proof of timely mailing.

14.07 This **Agreement** shall not be assigned by **Licensee** except: a) with the prior written consent of **PHS,** such consent not to be withheld unreasonably; or b) as part of a sale or transfer of substantially the entire business of **Licensee** relating to operations which concern this **Agreement,** whether as sale of assets, merger or any other manner of transfer. **Licensee** shall notify **PHS** within ten (10) days of any assignment of this **Agreement** by **Licensee.** For the purposes of this **Agreement,** an **Affiliate** of the **Licensee** shall not be considered separate from the **Licensee** in that the obligations of the **Licensee** may be performed by its **Affiliates** (whether located in Israel or in any other country) and the rights granted to the **Licensee** hereunder might be exercised by the **Affiliates** of the **Licensee,** as if they were so originally granted, without such to be considered as sublicensing or assignment and without requirement of PHS's approval or notice to **PHS.**

14.08 **Licensee** agrees in its use of any **PHS**-supplied materials to comply with all applicable statutes, regulations, and guidelines, including **PHS** and **DHHS** regulations and guidelines. **Licensee** agrees not to use the materials for research involving human subjects or clinical trials in the United States without complying with 21 CFR Part 50 and 45 CFR Part 46. **Licensee** agrees not to use the materials for research involving human subjects or clinical trials outside of the United States without notifying **PHS,** in writing, of such research or trials and complying with the applicable regulations of the appropriate national control authorities. Written notification to **PHS** of research involving human subjects or clinical trials outside of the United States shall be given no later than sixty (60) days prior to commencement of such research or trials.

14.09 **Licensee** acknowledges that it is subject to and agrees to abide by the United States laws and regulations (including the Export Administration Act of 1979 and Arms Export Control Act) controlling the export of technical data, computer software, laboratory prototypes, biological material, and other commodities. The transfer of such items may require a license from the cognizant Agency of the **Government** or written assurances by **Licensee** that it shall not export such items to certain foreign countries without prior approval of such agency. **PHS** represents that if such a license is required, it shall be issued.

14.10 **Licensee** agrees to mark the **Licensed Products** or their packaging sold in the United States with all applicable U.S. patent numbers and similarly to indicate “Patent Pending” status. All **Licensed Products** manufactured in, shipped to, or sold in other countries shall be marked in such a manner as to preserve **PHS** patent rights in such countries.

14.11 By entering into this **Agreement, PHS** does not directly or indirectly endorse any product or service provided, or to be provided, by **Licensee** whether directly or indirectly related to this **Agreement. Licensee** shall not state or imply that this **Agreement** is an endorsement by the **Government, PHS,** any other **Government** organizational unit, or any **Government** employee. Additionally, **Licensee** shall not use the names of NIH, CDC, **PHS,** or **DHHS** or the **Government** or their employees in any advertising, promotional, or sales literature without the prior written consent of **PHS,** which shall not be unreasonably withheld.

14.12 The Parties agree to attempt to settle amicably any controversy or claim arising under this **Agreement** or a breach of this **Agreement,** except for appeals of modifications or termination decisions provided for in Article 13. **Licensee** agrees first to appeal any such unsettled claims or controversies to the designated **PHS** official, or designee, whose decision shall be considered the final agency decision. Thereafter, **Licensee** may exercise any administrative or judicial remedies that may be available.

14.13 Nothing relating to the grant of a license, nor the grant itself, shall be construed to confer upon any person any immunity from or defenses under the antitrust laws or from a charge of patent misuse, and the acquisition and use of rights pursuant to 37 CFR Part 404 shall not be immunized from the operation of state or Federal law by reason of the source of the grant.

14.14 **Paragraphs** 4.03, 8.01, 9.05-9.07, 12.01-12.05, 13.08, 13.09, and 14.12 of this **Agreement** shall survive termination of this **Agreement.**

SIGNATURES BEGIN ON NEXT PAGE

SIGNATURE PAGE

For **PHS**:

Date 7/22/03

Steven Ferguson, M.B.A
Acting Director, Division of Technology Development and Transfer
Office of Technology Transfer
National Institutes of Health

Mailing Address for Notices:

Office of Technology Transfer
National Institutes of Health
6011 Executive Boulevard, Suite 325
Rockville, Maryland 20852-3804 U.SA.

For **Licensee** (Upon, information and belief, the undersigned expressly certifies or affirms that the contents of any statements of **Licensee** made or referred to in this document are truthful and accurate.):

by:

Date 20/08/03

Signature of Authorized Official

YIFTACH ROTH
Printed Name

Director
Title

Official and Mailing Address for Notices:

Harechavim st. 15
P.O. Box 53150
Jerusalem 91531

Any false or misleading statements made, presented, or submitted to the **Government**, including any relevant omissions, under this Agreement and during the course of negotiation of this Agreement are subject to all applicable civil and criminal statutes including Federal statutes 31 U.S.C. §§ 3801-3812 (civil liability) and 18 U.S.C. § 1001 (criminal liability including fine(s) and/or imprisonment).

APPENDIX A—Patent(s) or Patent Application(s)

Patent(s) or Patent Application(s):

PCT Application No. PCT/US01/50737, “Coil For Magnetic Stimulation and Methods For Using The Same,” (filed 10/19/2001) which claims priority from U.S. Provisional Application No. 60/242,297 (filed 10/20/2000) by Zangen et al.

APPENDIX B—Licensed Fields of Use and Territory

Licensed Fields of Use:

Transcranial Magnetic Stimulation (TMS) apparatus and therapies.

Licensed Territory:

Worldwide.

APPENDIX C—Royalties

Royalties:

Licensee agrees to pay to **PHS** a noncreditable, nonrefundable license issue royalty in the amount of Twenty Five Thousand Dollars ($25,000), Ten Thousand USD ($10,000) of which shall be paid within thirty (30) days of the **Effective Date,** and Fifteen Thousand (USD $15,000) of which shall be paid by March 31, 2004.

Licensee agrees to pay to **PHS** a nonrefundable minimum annual royalty in the amount of Two Thousand Dollars ($2,000), where the first payment will be due on January 1st, 2004.

Licensee agrees to pay **PHS** earned royalties on cumulative **Net Sales** by or on behalf of **Licensee** and its sublicensees as follows:

Three Percent (3%) on the portion of cumulative **Net Sales** up to and including Ten Million dollars (USD $10,000,000) and Two Percent (2%) on the portion of cumulative **Net Sales** greater than Ten Million dollars (USD $10,000,000).

Licensee agrees to pay **PHS** benchmark royalties as follows:

Ten Thousand Dollars ($10,000) to be paid within thirty (30) days of approval for marketing of a particular category of **Licensed Products** or **Licensed Processes** by either the FDA or its foreign equivalent (but only once per each category).

Licensee agrees to pay **PHS** additional sublicensing royalties as follows:

Eight Percent (8%) of the fair market value of consideration received by the **Licensee** for granting a sublicense under the **Licensed Patent Rights,** said consideration shall exclude:

a) Royalties on **Net Sales** paid by the sublicensee(s);
b) Gross receipts for commercial sales of **Licensed Products** or commercial practice of **Licensed Processes** on which earned royalty has been paid to **PHS;**
c) Future Research and development funding;
d) Out of pocket legal expenses reimbursed to **Licensee** by sublicensee(s) in relation to procuring such sublicense(s); and
e) Equity investment(s) in **Licensee** at current market rates.

APPENDIX D—Modifications

PHS and **Licensee** agree to the following modifications to the Articles and Paragraphs of this **Agreement:**

None.

APPENDIX E—Benchamarks and Performance

Licensee agrees to the following **Benchmarks** for its performance under this **Agreement** and, within thirty (30) days of achieving a **Benchmark,** shall notify **PHS** that the **Benchmark** has been achieved.

- Within twelve (12) months of the **Effective Date** of this agreement **Licensee** shall raise One Million ($1,000,000) Dollars in funds and demonstrate the availability of said funds, sufficient to undertake initial research and development of the **Licensed Patent Rights, Licensed Processes** and/or **Licensed Products.**

- Submission to FDA or foreign equivalent by June 1, 2005 of an application for regulatory marketing approval of a **Licensed Product** or **Process.**

- Regulatory marketing approval of a **Licensed Product** or **Process** by the FDA or foreign equivalent by June 1, 2006.

- **First Commercial Sale** of a **Licensed Product** or **Process** by January 1, 2007.

APPENDIX F—Commercial Development Plan

Due to the early stage of the TMS market, the immature phase of the technology, and the lack of consensus within the scientific community regarding the viability of TMS in the treatment of brain deficiencies, the R&D and marketing plan represents only a guideline of the intentions of Brainsway Inc. Such plans will necessarily be adapted to reflect results of various R&D phases, as well as new discoveries that may be published by the scientific community.

Overall, the intention of Brainsway Inc. is to identify one or more brain deficiencies and/or malfunctions, develop coils and potentially also a stimulator that will be effective in altering these malfunctions, and promote and sell such coils and stimulators to hospital and clinics, potentially establishing a network of TMS clinics later.

In order to execute this plan, Brainsway Inc. will have, in its first 21 months of operation, two R&D tracks (i) Coil / stimulator development. (ii) Clinical trials. Pending the success of the clinical trials, and the state of the market at that time, Brainsway Inc. will strategize and select one or more applications to focus its effort on. Due to the high level of risk and uncertainty of these future phases, Brainsway Inc. plans to focus its operations in the first 21 months as follows: (refer to figure on next page)

Phase 1: Coil / Stimulator development:

While the subject matter of the patent shows theoretical improvement over existing coils, Brainsway Inc. believes that further improvements will have to be made, and a new coil should be developed to further enhance the effectiveness and the depth reach of the proposed deep brain stimulation. Brainsway Inc. will seek to use its internal know-how and design capabilities to develop this improved coil. The development of such new coil is budgeted as **9 months of two engineers' time.**

Phase 2: TMS treatment in clinical depression using an improved coil design

1. Safety approval:

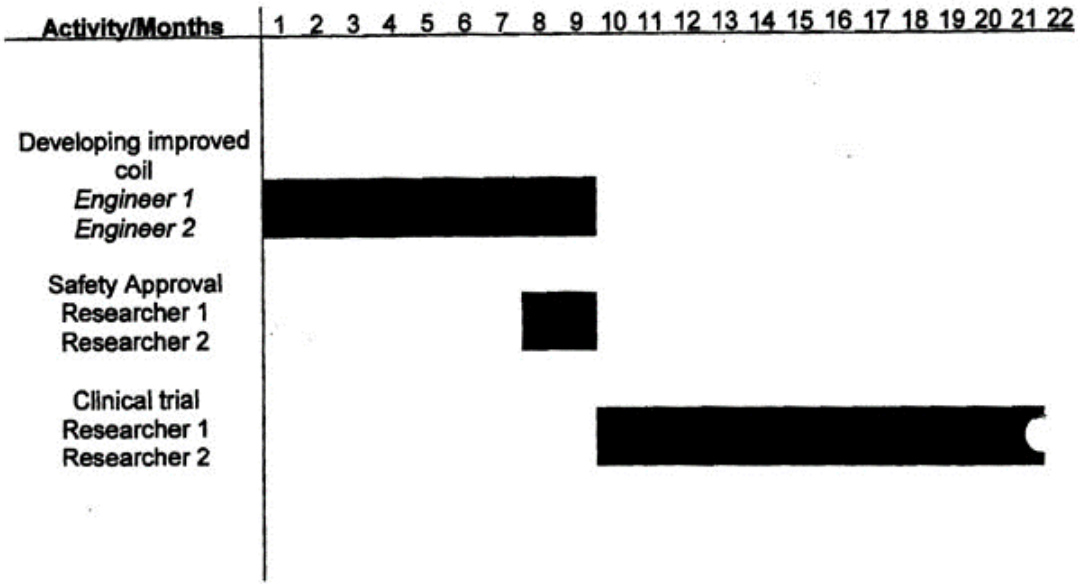
The improved coil will need to be initially approved for safety by the FDA. Brainsway Inc. plans (and has started initial discussions) to collaborate with one or more research centers or hospitals in the execution of this trial. Brainsway Inc. plans to conduct safety tests with the improved coil on 18 healthy volunteers. **2 researchers will support this trial over a period of two months.**

2. Clinical trial:

Upon completion of successful safety testing and upon approval of the FDA to conduct a clinical trial, Brainsway Inc. plans (and has started initial discussions) to collaborate with one or more research centers or hospitals in the execution of such a clinical trial. Brainsway Inc. plans to conduct clinical trials in order to develop a protocol for the treatment of depression, using 80 subjects. **2 researchers will support this trial over a period of eleven (11) months.**

Phase 3: Others

Brainsway Inc. plans to evaluate the development of improved stimulators that will better meet the technical requirements of the developed coil, as well as other applications of the technology including addiction and schizophrenia and perform other studies accordingly.



Market Analysis

The field of TMS is still in its infancy. Researchers are still studying and measuring the effects of different types of coils and treatment protocols in clinical trials. The range of applications being considered for the Hesed coil (i.e., the licensed technology) includes development of treatments for depression, addiction and possibly schizophrenia.

TMS represents a revolutionary new approach to the treatment of depression. If TMS can capture even 1 % of the market for treatment of depression, we believe this would constitute the emergence of a commercially viable market for the coil and its product derivatives.

The commercial market for coils such as the licensed technology is currently negligible. There are currently only 4 known companies developing TMS related equipment (coils and/or magnetic stimulators). All are privately owned and therefore are not required to report sales but they are believed to be small. Nearly all sales relating to the licensed technology in the near term is expected to be to other research teams studying TMS.

If, in the future, the licensed technology proves better than competing coils and new treatment protocols and accompanying electronic equipment can be developed in order to safely and effectively treat certain disorders (discussed above), a viable commercial market for TMS may emerge. At this early stage it is not possible to provide meaningful market share or sales forecasts of what annual revenues for the company might be. However, we believe that two of the markets that the coil can potentially address, cigarette addiction and depression, are quite large, as described below.

Cigarette Addiction

Worldwide, 1.1 billion people smoke, a habit whose serious ill-effects on the cardiovascular and respiratory systems pose a major health problem in Western society. The WHO reports that each year 3 million deaths worldwide are attributable to smoking. However, smoking cessation—and products that ease smoking cessation—are on the rise. The recent surges in public awareness of the dangers of smoking and the legislation banning smoking have contributed to this trend.

Currently, the smoking cessation marketplace is dominated by nicotine replacement in multiple delivery forms: transdermal patch, gum, nasal spray, and the newest formulation, inhaler. Newer therapies that go beyond mere

nicotine replacement include Glaxo Wellcome's recently approved Zyban and Elan/Sano's late-stage nicotine/mecamylamine patch.

The current smoking cessation market is valued at $450 million. According to researchers, the growth of new smoking cessation therapies will help propel the market to nearly $1.5 billion by 2007. We believe that TMS, as an emerging smoking cessation therapy, may compete for a share of this lucrative market in the future.

Anti-depressants

Another potential market for the coil is for use in the treatment of depression. Currently the market for anti-depressants dwarfs that of smoking cessation. In 2000, Antidepressants were the #3-ranked therapy class worldwide, growing to $13.4 billion or 4.2 percent of all global pharmaceutical sales.

North America was the dominant market, accounting for 74.6 percent of sales and a 19 percent growth rate. Lilly's Prozac was the leading product in the class with a market share of 21.5 percent. Prozac has been experiencing a decline in market share since 1996, in part due to new products and generic competition.

License Amendment
L-070-2003/1

WHEREAS, the National Institutes of Health (**"NIH"**), on behalf of the Public Health Service (**"PHS"**) and the Department of Health and Human Services (**"DHHS"**), and Brainsway, Inc. (**"Licensee"**) entered into a license agreement (L-070-2003/0; the **"Agreement"**) effective August 10, 2003, relating to the **Licensed Patent Rights** which include DHHS Ref. No. E-223-2000/0-US-03: U.S. Patent Application Ser. No. 10/399,559; DHHS Ref.No. E-223-2000/0-CA-05: Canadian Patent Application Ser. No. 2,425,276; DHHS Ref. No. E-223-2000/0-AU-06; Australian Patent Application Ser. No. 2002229129; DHHS Ref. No. E-223-2000/0-EP-04: European Patent Application Ser. NO. 01987684.6; DHHS Ref. No. E-223-2000/0-JP-07: Japanese Patent Application Ser. No. 2002-535740, DHHS Ref. No. E-223-2000/0-IL-08: Israeli Patent Application Ser. No. 155320; and DHHS Ref. No. E-223-2000/0-HK-09: Hong Kong Patent Application Ser. No. 03108947.4, all of which arc entitled "Coil For Magnetic Stimulation" and are national phase applications of DHHS Ref. No. E-223-00/0: International Patent Application PCT/U501/50737, which claims priority from U.S. Provisional Patent Application Number 60/242,97, filed on October 20, 2000.

WHEREAS, Licensee requests that the Agreement be amended to extend the regulatory and First Commercial Sale benchmarks by three years to accommodate unexpected delays in regulatory approvals.

WHEREAS, Licensee achieved their first financing benchmark, has paid all of their royalty payments under the Agreement to date and has formed a strategic partnership with a third party that resulted in a successful prototype of a deep brain magnetic stimulation coil ready for clinical testing.

NOW THEREFORE, in consideration of the foregoing, PHS and Licensee hereby agree to amend the Agreement as follows:

Appendix E is deleted in its entirety and replaced with the following:

APPENDIX B-Benchmarks and Performance

Licensee agrees to the following Benchmarks for its performance under this Agreement and, within thirty (30) days of achieving a Benchmark, shall notify PHS that the Benchmark has been achieved.

- Within twelve (12) months of the Effective Date of this agreement licensee shall revise at leau One Million ($1,000,000) Dollars in funds and demonstrate the availability of said funds, sufficient to undertake initial research and development of the Licensed Patent Rights, Licensed Processes and/or Licensed Products.

- Submission to FDA or foreign equivalent by June 1, 2008 of an application for regulatory marketing approval of a Licensed Product or Licensed Process.

- Regulatory marketing approval of a Licensed Product or Licensed Process by the FDA or foreign equivalent by June 1, 2009.

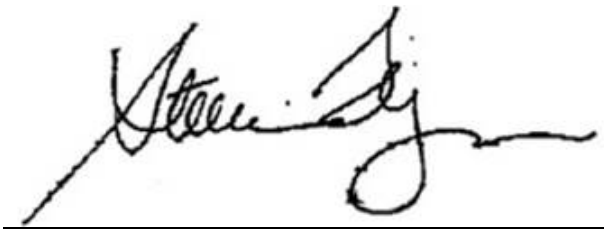
- First Commercial Sale of a Licensed Product or Licensed Process by January 1, 2010.

SIGNATURES BEGIN ON NEXT PAGE

SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have executed this **License Amendment** in duplicate originals by their respective duly authorized officers hereunto, on the day and year hereinafter written. Any communication or notice to be given shall be forwarded to the respective addresses listed below.

For PHS:



8/4/05

Stetven M. Ferguson, M.B.A. — Date
Director, Division of Technology Development and Transfer
Office of Technology Transfer
National Institutes of Health

Mailing Address for Notices:

Office of Technology Transfer
National institutes of Health
6011 Executive Boulevard, Suite 325
Rockville, Maryland 20852-3804 U.S.A.

For Licensee (Upon information and belief, the undersigned expressly certifies or affirms that the contents of any statements of the **Licensee** made or referred to in this **License Amendment** are truthful and accurate.)

by:

24/8/05

Uzi Sofer — Date
C/o Tulchinsky-Stern & Co. Law Offices
Abba Hillel 14
Ramat Gan 52506
Israel

Official and Mailing Address for Notices:

Brainsway, Inc.
C/o Tulchinsky-Stern & Co. Law Offices
Abba Hillel 14
Ramat Gan 52506

Any false or misleading statements made, presented, or submitted to the **Government**, including any relevant omissions, under this **License Amendment** and during the course of negotiation of this **License Amendment** are subject to all applicable civil and criminal statutes including Federal statutes 31 U.S.C. §§ 3801-3712 (civil liability) and 18 U.S.C. § 1001 (criminal liability including fine(s) and/or imprisonment).

Exhibit 10.9

PUBLIC HEALTH SERVICE

SECOND AMENDMENT TO L-070-2003/0

This is the second amendment **("Second Amendment")** of the agreement by and between the National Institutes of Health ("**NIH**") or the Food and Drug Administration ("**FDA**"), hereinafter singly or collectively referred to as ("**PHS**"), agencies of the United States Public Health Service within the Department of Health and Human Services ("HHS"), and Brainsway, Inc. having an effective date of August 10, 2003 and having **NIH** Reference Number L-070-2003/0 **("Agreement").** This **Second Amendment,** having **NIH** Reference Number L-070-2003/2, is made between the **PHS** through the Office of Technology Transfer, **NIH,** having an address at 6011 Executive Boulevard, Suite 325, Rockville, Maryland 20852-3804, U.S.A., and Brainsway, Inc., having a correspondence address at 19 Hartum Street, Beit Binat Building, lst Floor, Har Hotzvim, Jerusalem, Israel, **("Licensee").** This **Second Amendment** includes, in addition to the amendments made below, 1) a Signature Page, 2) Attachment 1 (Shipping Information) and 3) Attachment 2 (Royalty Payment Information).

WHEREAS, **Licensee** requests that the **Agreement** be amended to add newly created and co-owned patent rights and with the understanding that **Licensee** bears the responsibilities of prosecuting and maintaining the same.

WHEREAS, **PHS** is accommodating **Licensee** request to extend regulatory and **First Commercial Sale Benchmarks** by three years due to unexpected delays in regulatory approvals and in view of **Licensee's** continued diligence.

WHEREAS, **PHS** acknowledges that notwithstanding the amendment to Paragraph 6.10; **Licensee** is current on all of its payment obligations to reimburse **PHS** for patent costs as per Paragraphs 6.09 and 6.10 of the **Agreement** (L-070-2003/0) and as once amended (L-070-2003/1) as of the execution date of this **Second Amendment.**

WHEREAS, **PHS** and **Licensee** desire that the **Agreement** be amended a second time as set forth below.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, **PHS** and Licensee, intending to be bound, hereby mutually agree to the following:

1) Within thirty (30) days of the execution of this **Second Amendment, Licensee** shall pay **PHS** an amendment issue royalty in the sum of Five Thousand US Dollars (USD$5,000), to be sent to the address specified in Attachment 2.

2) In the event any provision(s) of the **Agreement** is/are inconsistent with Attachment 1 and/or 2, such provision(s) is/are hereby amended to the extent required to avoid such inconsistency and to give effect to the shipping and payment information in such Attachment 1 and/or 2.

3) This **Second Amendment** becomes effective on the date the last party hereto signs.

4) Specific Paragraphs and Appendices of the **Agreement** are modified as specified below:

Paragraph 6.10 is deleted in its entirety and replaced with the following:

With regard to expenses incurred or to be incurred by **PHS** associated with the filing and prosecution of national stage applications under the **Licensed Patent Rights** claiming priority from U.S. Provisional Patent Application 60/242,297 and International Patent Application PCT/US2001/50737, **Licensee** shall pay **PHS** as an additional royalty Five Thousand Dollars ($5,000) within thirty (30) days of the **Effective Date** of this **Agreement,** Five Thousand Dollars ($5,000) by March 30, 2004, and the remainder of such expenses within thirty (30) days of a statement requesting payment of the same to be invoiced not more than once per calendar year.

CONFIDENTIAL

For the avoidance of doubt, the additional royalty of Five Thousand Dollars ($5,000) set forth in Paragraph 6.10 that was "made payable within thirty (30) days of the **Effective Date** of this **Agreement"** relates to the effective date of the original **Agreement** and not of this **Second Amendment.**

Paragraph 6.11 is deleted in its entirety.

Paragraph 7.01 is deleted in its entirety and replaced with the following:

PHS shall bear the responsibility and shall consult with **Licensee** with regards to the preparation, filing, prosecution, and maintenance of any and all patent applications or patents included in the **Licensed Patent Rights** pertaining to U.S. Provisional Patent Application Number 60/242,297, filed on October 20, 2000 and International Patent Application PCT/US2001/50737 and the progeny cases claiming priority therefrom.

Licensee shall bear the responsibility for the preparation, filing, prosecution, and maintenance of any and all patent applications or patents included in the **Licensed Patent Rights** that claim priority from U.S. Patent Application Serial No. 11/153,905 filed June 16, 2005 and International Patent Application No. PCT/IL2006/000694 filed June 15, 2006, and shall on an ongoing basis promptly furnish copies of all patent-related documents to **PHS**. **Licensee** shall, subject to the prior approval of **PHS**, select registered patent attorneys or patent agents to provide such services on behalf of **Licensee** and **PHS**. **PHS** shall provide appropriate powers of attorney and other documents necessary to undertake such actions to the patent attorneys or patent agents providing such services. Licensee and its attorneys or agents shall consult with **PHS** in all aspects of the preparation, filing, prosecution and maintenance of patent applications and patents included within the **Licensed Patent Rights** and shall provide **PHS** sufficient opportunity to comment on any document that **Licensee** intends to file or to cause to be filed with the relevant intellectual property or patent office.

APPENDIX A—Patent(s) or Patent Application(s) is replaced in its entirety with the following:

HHS Ref. No. E-223-2000/0-US-03: U.S Patent Application Ser. No. 10/399,559;
HHS Ref. No. E-223-2000/0-CA-05: Canadian Patent Application Ser. No. 2,425,276;
HHS Ref. No. E-223-2000/0-AU-06: Australian Patent Application Ser. No. 2002229129;
HHS Ref. No. E-223-2000/0-EP-04: European Patent Application Ser. No. 01987684.6 (validated in France, Germany, the United Kingdom, Italy and Sweden);
HHS Ref. No. E-223-2000/0-JP-07: Japanese Patent Application Ser. No. 2002-535740,
HHS Ref. No. E-223-2000/0-IL-08: Israeli Patent Application Ser. No. 155320;
HHS Ref. No. E-223-2000/0-HK-09: Hong Kong Patent Application Ser. No. 03108947.4, all of which are entitled "Coil For Magnetic Stimulation" and are national phase applications of DHHS Ref. No. E-223-00/0:
International Patent Application PCT/US01/50737, which claims priority from U.S. Provisional Patent Application Number 60/242,297, filed on October 20, 2000.

HHS Ref. No. E-301-2007 "Summation Of TMS Stimulation Through Several Coils;" U.S. Patent Application Serial No. 11/153,905 filed June 16, 2005 and International Patent Application No. PCT/IL2006/000694 filed June 15, 2006.

Appendix C—Royalties; the paragraphs governing earned royalties is replaced with the following:

Licensee agrees to pay **PHS** earned royalties on aggregate **Net Sales** by or on behalf of **Licensee** and its sublicensees as follows:

Three Percent (3%) on the portion of aggregate **Net Sales** up to and including Ten Million U.S. Dollars (USD$10,000,000) and Two Percent (2%) on the portion of aggregate **Net Sales** greater than Ten Million U.S. Dollars (USD$10,000,000).

On **Net Sales** of **Licensed Products** or **Licensed Processes** solely within the scope of U.S. Patent Application Serial No. 11/153,905 and International Patent Application No. PCT/IL2006/000694 within the **Licensed Patent Rights, th**e earned royalty payable will be Two Percent (2%) up to and including **Net Sales** of Ten Million U.S. Dollars (USD$10,000,000) and One Percent (1%) on the portion of aggregate **Net Sales** greater than Ten Million Dollars (USD$10,000,000).

Appendix E—Benchmarks and Performance is replaced in its entirety with the following:

Licensee agrees to the following **Benchmarks** for its performance under this **Agreement** and, within thirty (30) days of achieving a **Benchmark,** shall notify **PHS** that the **Benchmark** has been achieved.

- Within twelve (12) months of the **Effective Date** of this agreement **Licensee** shall raise at least One Million ($1,000,000) Dollars in funds and demonstrate the availability of said funds, sufficient to undertake initial research and development of the **Licensed Patent Rights, Licensed Processes** and/or **Licensed Products.** As of the date of this Amendment, the Parties agree and acknowledge that such milestone has been timely met.

- Submission to FDA or foreign equivalent by June 1, 2012 of an application for regulatory marketing approval of a **Licensed Product** or **Process.**

- Regulatory marketing approval of a **Licensed Product** or **Process** by the FDA or foreign equivalent by June 1, 2013.

- **First Commercial Sale** of a **Licensed Product** or **Process** by January 1, 2014.

5) AH terms and conditions of the **Agreement** not herein amended remain binding and in full force and effect.

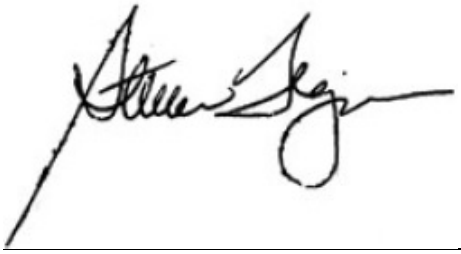
SIGNATURES BEGIN ON NEXT PAGE

SECOND AMENDMENT TO L-070-2003/0

SIGNATURE PAGE

In Witness Whereof, the parties have executed this **Second Amendment** on the dates set forth below. Any communication or notice to be given shall be forwarded to the respective addresses listed below.

For **PHS**:



4/10/08

Steven M. Ferguson — Date

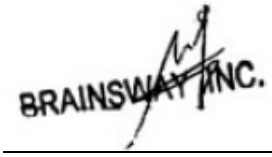
Director, Division of Technology Development and Transfer
Office of Technology Transfer
National Institutes of Health

Mailing Address for **Agreement** notices:

Chief, Monitoring & Enforcement Branch, DTDT
Office of Technology Transfer
National Institutes of Health
6011 Executive Boulevard, Suite 325
Rockville, Maryland 20852-3804 U.S.A.

For **Licensee** (Upon, information and belief, the undersigned expressly certifies or affirms that the contents of any statements of **Licensee** made or referred to in this document are truthful and accurate.):

by:



17/4/08

Signature of Authorized Official — Date

Uzi Sofer
CEO

I. Official and Mailing Address for **Agreement** notices:

19 Hartum Street,

Beit Binat Building, lst Floor,
Har Hotzvim,
Jerusalem, Israel

II. Official and Mailing Address for Financial notices (**Licensee's** contact person for royalty payments):

Uzi Sofer
Name

CEO
Title

Mailing Address:

19 Hartum Street,

Beit Binat Building, 1st Floor,

Har Hotzvim,

Jerusalem, Israel

Email Address: uzis@Brainswav.com

Phone: +972 2 581 3140

Fax: +972 2 581 2517

Any false or misleading statements made, presented, or submitted to the **Government,** including any relevant omissions, under this **Agreement** and during the course of negotiation of this **Agreement** are subject to all applicable civil and criminal statutes including Federal statutes 31 U.S.C. §§3801-3812 (civil liability) and 18 U.S.C. §1001 (criminal liability including fine(s) or imprisonment).

ATTACHMENT 1 - SHIPPING INFORMATION

Licensee's Shipping Contact: information or questions regarding shipping should be directed to Licensee's Shipping Contact at:

Shipping Contact's Name Title

Phone: Fax: E-mail:

Shipping Address: Name & Address to which Materials should be shipped (please be specific):

Company Name & Department

Address:

ATTACHMENT 2 - ROYALTY PAYMENT OPTIONS

NIH/PHS License Agreements

****In order to process payment via Electronic Funds Transfer sender MUST supply the following information:***

Procedure for Transfer of Electronic Funds to NIH for Royalty Payments

Bank Name: Federal Reserve Bank

ABA# 021030004
TREAS NYC
BNF=/AC-75080031
OBI=Licensee Name and OTT Reference Number
Dollar Amount Wired=$$

NOTE: Only U.S. banks can wire directly to the Federal Reserve Bank. Foreign banks cannot wire directly to the Federal Reserve Bank, but must go through an intermediary U.S. bank. Foreign banks may send the wire transfer to the U.S. bank of their choice, who, in turn forwards the wire transfer to the Federal Reserve Bank.

Mailine Address for Royalty Payments:

National Institutes of Health
P.O. Box 360120
Pittsburgh, PA 15251-6120 USA

Overnight Mail for Royalty Payments only:

National Institutes of Health
360120
Mellon Client Service Center
Room 670
500 Ross Street
Pittsburgh, PA 15262-0001

(412) 234-4381 (Customer Service)

Please make checks payable to: *NIH/Patent Licensing.*

*The OTT Reference Number **MUST** appear on checks, reports and correspondence.*

Exhibit 10.10

RESEARCH AND LICENCE AGREEMENT

Entered into on June 2, 2005

Between

YEDA RESEARCH AND DEVELOPMENT COMPANY LIMITED

a company duly registered under the laws of Israel of P O Box 95, Rehovot 76100, Israel

(hereinafter, **"Yeda")**

and

BRAINSWAY, INC.

a company duly registered under the laws of the state of Delaware, U.S.A

(hereinafter, **"the Company")**

PREAMBLE:

WHEREAS: (A) the Company engages in the development and production of transcranial magnetic stimulation (**"TMS"**) apparatus and therapies for the treatment of depression, addictions and certain brain deficiencies and/or malfunctions; and

(B) the Company is interested in the performance of research at the Weizmann Institute of Science **("the Institute")** under the supervision of Dr. Abraham Zangen **("the Scientist")** of the Department of Neurobiology in the field of depression, as specified in the research program attached hereto, marked **Appendix A ("the Research Program"** and **"the Research");** and is willing, subject to and in accordance with the terms and conditions of this Agreement, to finance the performance of the Research in accordance with the budget attached hereto and marked **Appendix B ("the Research Budget");** and

(C) Yeda is willing, subject to and in accordance with the terms and conditions of this Agreement, to procure the performance of the Research in accordance with the Research Program and the Research Budget, at the Institute as aforesaid; and

(D) by operation of Israeli law and/or under the terms of employment of the Scientist at the Institute and pursuant to an agreement between the Institute, Yeda and the Scientist, all right, title and interest of the Scientist and/or the Institute in and to any results deriving from the performance of the Research at the Institute, vests and shall vest in Yeda; and

(E) subject to and in accordance with the terms of this Agreement, the Company wishes to receive, and Yeda is willing to grant to the Company, a worldwide exclusive licence in respect of the Licensed Information (as hereinafter defined) and under the Patents (as hereinafter defined), for the research, development, manufacture, production, commercialisation and sale of Products (as hereinafter defined), all subject to and in accordance with the terms and conditions of this Agreement below; and

(F) the Company declares that: (i) on 10 August 2003 the Company entered into a patent license agreement with the U.S. National Institutes of Health, the U.S. Center for Disease Control and Prevention, and/or the U.S. Food and Drug Administration **("the FDA")** (collectively, **"PHS"**), acting for and behalf of the U.S. Department of Health and Human Services **("the U.S. DHHS"),** pursuant to which, *inter alia,* PHS granted to the Company, a worldwide exclusive licence in respect of U.S. provisional application no. 60/242,297 and corresponding PCT patent application number PCT/US01/50737, entitled "Coil *For Magnetic Stimulation and Methods For Using The Same"* **("the U.S. DHHS Patent Applications")** and in respect of certain patent applications corresponding to the U.S. DHHS Patent Applications and all patents issuing on any of the aforegoing patent applications (such agreement, **"the PHS Patent License Agreement");** and (ii) it has received an undertaking from investor(s), pursuant to a signed agreement of July 17, 2003 to make an aggregate cumulative investment in the Company of at least US $1,000,000 (one million United States Dollars), to be expended for the purpose of the development of Products pursuant to this Agreement as part of the Company's business activities,

NOW THEREFORE IT IS AGREED BETWEEN THE PARTIES HERETO AS FOLLOWS:

1. PREAMBLE, APPENDICES AND INTERPRETATION

1.1. The Preamble and Appendices hereto form an integral part of this Agreement.

1.2. In this Agreement the terms below shall bear the meanings assigned to them below, unless the context shall indicate a contrary intention:

1.2.1. **"Affiliated Entity"** — shall mean, with respect to any party hereto, any company, corporation, other entity or person (hereinafter, collectively, **"entity"),** which directly or indirectly, is controlled by, or controls, or is under common control with, such party. For the purposes of this definition, **"control"** shall mean the ability, directly or indirectly, to direct the activities of the relevant entity (save for an ability flowing solely from the fulfillment of the office of director or another office) and shall include, without limitation, the holding, directly or indirectly, of 51% (fifty-one percent) or more of the issued share capital or of the voting power of the relevant entity or the holding, directly or indirectly, of a right to appoint more than 51% (fifty-one percent) or more of the directors of such entity or of a right to appoint the chief executive officer of such entity;

1.2.2. **"Development Program"** — shall mean, with respect to any Product or Products, the development program specifying the activities and timetable necessary to develop such Products to commercialisation, including the performance of safety and efficacy tests, preclinical tests and clinical trials and the steps required for obtaining regulatory approvals from the FDA or equivalent regulating authorities in other countries, and the development of procedures and facilities for commercial production of such Products, sales projections and proposed marketing efforts;

1.2.3. **“Exchange Rate”** — shall mean, with respect to any amount to be calculated, or which is paid or received in a currency other than US Dollars, the rate reported in the *Wall Street Journal* for the purchase of US Dollars with such currency except if such currency is New Israel Sheqels, in which case such rate shall be the Bank Hapoalim Rate as defined below, on the last Business Day prior to the date of calculation, payment or receipt, as the case may be; for the purpose of the above, **“Business Day”** shall be a day, other than a Saturday, Sunday or other day on which the principal banks located in Tel-Aviv are not open for business during normal banking hours; and **“Bank Hapoalim Rate”** shall mean the average of the selling and buying exchange rates of New Israel Sheqels (in respect of cheques and remittances) and the US Dollar prevailing at Bank Hapoalim B.M. at the end of business on the date of calculation, payment or receipt, as the case may be;

1.2.4. **“First Commercial Sale”** **—** shall mean, with respect to any Product in any country, the first commercial sale, in exchange for cash or some equivalent to which value can be assigned, for the purposes of determining Net Sales hereunder, of such Product in such country after the obtaining of all necessary regulatory approvals required (if required) in such country for the commercial sale of such Product, **other than** a sale for experimental, promotional, compassionate or test market purposes;

1.2.5. **“Licence”** — shall mean an exclusive worldwide licence under the Licensed Information and the Patents, for the research, development, manufacture, production, commercialisation and sale of the Products for any indications whatsoever, in all therapeutic areas, subject to the provisions of clause 7.1 below and the other terms and conditions of this Agreement;

1.2.6. **“Licensed Information”** — shall mean all and any inventions, products, materials, compounds, compositions, substances, methods, processes, techniques, know-how, data, information, discoveries and other results of whatsoever nature discovered or occurring in the course of, or arising from, the performance of the Research;

1.2.7. **“Net Sales”** — shall mean the total amount received by the Company and the total amount received by each Sublicensee in connection with the sale of Products (for the removal of doubt, whether such sales are made before or after the First Commercial Sale of any Product in any country); provided that, with respect to sales which are not at arms-length and/or are not in the ordinary course of business and/or are not according to then current market conditions for such a sale, the term **“Net Sales**” shall mean the total amount that would have been due in an arms-length sale made in the ordinary course of business and according to the then current market conditions for such sale or, in the absence of such current market conditions, according to market conditions for sale of products similar to the Products, **in all cases** after deduction of amounts actually received in respect of such sales which are:

(i) in respect of sales taxes (including value added taxes) to the extent applicable to such sale and included in the invoice in respect of such sale;

(ii) are subsequently repaid to the purchaser in the form of credits or allowances, if any, actually granted on account of price adjustments, recalls, rejections or returns of Products previously sold;

(iii) in respect of packing, freight, shipping and insurance charges applicable to the Products sold to the extent such items are separately itemised on invoices; and

(iv) wholesaler and cash discounts in amounts customary in the trade, to the extent actually granted;

and provided further that, with respect to sales by the Company and/or a Sublicensee, as applicable, to any Affiliated Entity of the Company or of such Sublicensee, as the case may be, the term, **"Net Sales"** shall mean the higher of: (a) "Net Sales", as defined above, with respect to sales which are not at arms-length and/or in the ordinary course of business and/or according to current market conditions; and (b) the total amount received by such Affiliated Entity on resale to an independent third party purchaser after the deductions specified in subparagraphs (i), (ii), (iii) and (iv) above, to the extent applicable;

1.2.8. **“Patents”** — shall mean all patent applications or applications for certificates of invention covering portions of the Licensed Information and all patents or certificates of invention which may be granted thereon; as well as all continuations, continuations-in-part, patents of addition, divisions, renewals, reissues and extensions of any of the aforegoing patents, but excluding: (a) patents that have been held unpatentable or invalid or cancelled pursuant to the final *(i.e.*, unappealable or unappealed) judgment of a competent court; and (b) patent applications that have been withdrawn or have expired, in each case, such exclusion to be effective only from the date of such judgment, or such withdrawal or expiry, as the case may be.

For the purposes of this Agreement the term “patent” shall also mean “Orphan Drug” status (within the meaning of such term under the US Orphan Drug Act), Supplementary Protection, Certificate (within the meaning of such term under Council Regulation (EU) No. 1768/92) and/or any other similar statutory protection;

1.2.9. **“Research Period”** — shall mean the 3 (three) year period commencing on the date of signature of this Agreement;

1.2.10. **“Products”** — shall mean any products, apparatuses, or devices within the Field of Use, for treatment of all indications in all therapeutic areas, the development, manufacture or sale of which is based, in whole or in part, on, or involves the use of, the Licensed Information or any part thereof, or is otherwise covered (in whole or in part) by, or falls within the scope of, or which are produced or manufactured using a process or method covered by, or falling within the scope of, any claim under any Patent (including under any patent application falling within the definition of Patents). For the purposes of the above, **“Field of Use”** shall mean the field of TMS apparatus and therapies;

1.2.11. **“Sublicence”** and **“Sublicensee”** — **“Sublicence”** shall mean any right granted, licence given, or agreement entered into, by the Company to or with any other person or entity, permitting any use of the Licensed Information and/or the Patents (or any part thereof) for the development and/or manufacture and/or marketing and/or distribution and/or sale of Products (whether or not such grant of rights, licence given or agreement entered into is described as a sublicence or as an agreement with respect to the development and/or manufacture and/or distribution and/or marketing and/or sale of Products or otherwise) and the term **“Sublicensee”** shall be construed accordingly;

1.2.12. **“Sublicensing Receipts”** — shall mean consideration, whether monetary or otherwise, received (for the removal of doubt, whether received before or after the First Commercial Sale in any country) by the Company for or from the grant of Sublicences and/or pursuant thereto, or in connection with the grant of an option for a Sublicence, **except for:**

(i) amounts received by the Company which constitute royalties based on sales of the Products by Sublicensees in respect of which the Company has paid royalties to Yeda, or owes such royalties, under the terms of this Agreement;

(ii) gross receipts for commercial sales of Products in respect of which the Company has paid royalties to Yeda;

(iii) amounts received from a Sublicensee and actually expended by the Company in respect of future research and development activities to be performed at the Company for or on behalf of such Sublicensee with regard to the Product or Products being the subject-matter of the Sublicence, provided that;

(a) such research and development activities are performed pursuant to a defined research and development program and budget agreed between the Company and such Sublicensee, a copy of which is furnished to Yeda; and

(b) the Company submits to Yeda a written report, audited by the Company's independent auditor, setting out the time and materials utilised, and overhead costs and other expenses actually incurred by the Company in the conduct of the said research and development activities, which demonstrates that reasonable amounts have actually been expended by the Company in the conduct of such research and development activities,

it being agreed, for the removal of doubt, that any amounts received by the Company as aforesaid, but not expended as set out above, shall be deemed to be Sublicensing Receipts; and

(iv) equity investments in the Company at current market rates;

1.2.13. **"U.S. DHHS Patents"** — shall mean all patent applications (including the U.S. DHH Patent Applications) and all patents (as well as all continuations, continuations-in-part, divisions, renewals, reissues and extensions of the aforegoing patent applications and/or patents (as the case may be)) in respect of which the Company has received a licence from PHS under the PHS Patent License Agreement, and which have not been held unpatentable or invalid or cancelled pursuant to the final judgment of a competent court; or, in the case of patent applications—have not been withdrawn or expired;

1.2.14. **"U.S. DHHS Patent Protected Product(s)"** — shall mean any Product(s) that cannot be developed, manufactured or sold without infringing a claim under any U.S. DHHS Patent; and

1.2.15. the terms: "**Yeda**", **"the Company", "TMS" "the Institute", "the Scientist", "the Research Program", "the Research", "the Research Budget", "the FDA", "PHS", "the U.S. DHHS", "the U.S. DHHS Patent Applications** and **"the PHS Patent License Agreement"** — shall bear the definitions assigned to them respectively in the heading or the preamble hereto, as the case may be.

1.3. In this Agreement:

1.3.1. words importing the singular shall include the plural and *vice-versa* and words importing any gender shall include all other genders and references to persons shall include partnerships, corporations and unincorporated associations; and

1.3.2. any reference in this Agreement to the term "patent" shall also include any re-issues, divisions, continuations or extensions thereof (including measures having equivalent effect); and

1.3.3. any reference in this Agreement to the term "patent applications" shall include any provisional patent applications, applications for continuations, continuations-in-part, divisions, patents of addition or renewals, as well as any other applications or filings for similar statutory protection; and

1.3.4. any reference in this Agreement to the term "sale" shall include the sale, lease, rental or other disposal of any Product;

1.3.5. **"including"** and **"includes"** means including, without limiting the generality of any description preceding such terms;

1.3.6. in the event of any discrepancy between the terms of this Agreement and any of the Appendices hereto, the terms of this Agreement shall prevail.

2. **PERFORMANCE OF THE RESEARCH**

2.1. In consideration of the sums to be paid by the Company to Yeda pursuant to clause 3 below and, subject to the execution of such payments, Yeda undertakes, subject to clause 2.2 below, to procure the performance of the Research at the Institute under the supervision of the Scientist during, and for the duration of, the Research Period. By prior written agreement of the parties, the Research Period may be extended by such period and upon such terms and conditions as the parties shall so agree.

2.2. If the Scientist shall cease to be available for the supervision of the performance of the Research, such cessation shall not constitute a breach of this Agreement by Yeda. If no replacement scientist can be found, who is acceptable to the Company, at its sole and absolute discretion, within 30 (thirty) days of the Scientist becoming unavailable as aforesaid, then the Company shall be entitled, by written notice to Yeda, to terminate the Research Period, in which event the Research Period and the performance of Research hereunder shall cease at the end of a further period of 30 (thirty) days from the date of receipt by Yeda of such written notice. In the event of such termination, Yeda shall be released from any obligation to procure the performance of the Research during the period after such termination, and the Company shall be released from any obligation to finance the Research in respect of the period commencing after such termination, but without affecting the Licence and all the other terms and conditions of this Agreement which shall remain in full force and effect (save for those relating to the performance and financing of the Research).

2.3. It is agreed that the performance of the Research shall be subject to applicable Israeli law. Without derogating from the generality of the foregoing, if the performance of the Research shall involve the conduct of experiments on and/or using animals and/or human subjects and/or human material (such as cells, blood, tissue, DNA, RNA, lysates, or body fluids), then the performance of the Research and the Research Program shall be subject to: (i) the Israeli Anti-Cruelty Law, 1994 and to the approval of, and any modifications requested by, the Institutional Animal Care and Use Committee and the Safety Committee of the Institute, in order to ensure compliance with applicable law; and (ii) the approval of, and any modifications requested by the Safety Committee of the Institute and the Institutional Review Board for Human Experimentation, as the case may be.

2.4. For the avoidance of doubt, it is agreed that nothing in this Agreement shall constitute a representation or warranty by Yeda, express or implied, that any results will be achieved by the Research or that the Licensed Information or any of the results achieved by the Research are or will be commercially exploitable or of any other value and Yeda furthermore makes no warranties and representations, express or implied, whatsoever as to the Research, any results of the Research or the Licensed Information.

3. **FUNDING THE RESEARCH**

The Company undertakes to pay to Yeda the total amount (in US Dollars) of the Research Budget (being US $79,446 (seventy-nine thousand, four hundred and forty-six United States Dollars)) in 12 (twelve) equal 3 (three) monthly instalments, payable in advance at the beginning of each 3 (three) month period during the Research Period, the first such payment to be made on the date of signature of this Agreement. In the event that the Research to be performed in any calendar quarter **("the relevant calendar quarter")** is not performed during such calendar quarter or prior thereto, the Company shall be entitled to: (a) postpone payment of the instalment in respect of the second calendar quarter following the relevant calendar quarter *(i.e.*, the instalment due at the beginning of the 3rd (third) calendar month following the expiry of the relevant calendar quarter), until such time as such part of the Research has been performed, provided that written notification is given to Yeda to such effect no later than 7 (seven) days after the end of the relevant calendar quarter; and/or (b) to terminate the Research Period, by written notice to Yeda, no later than 14 (fourteen) days prior to the date of expiry of the first calendar quarter following the relevant calendar quarter, in which event the Research Period and the performance of Research hereunder shall cease at the end of such calendar quarter. An invoice in respect of an instalment paid as aforesaid shall be issued by Yeda promptly after the receipt by Yeda of such instalment. All payments of the Research Budget shall be made by direct wire transfer to Yeda's bank account, the details of which are as follows: Bank Hapoalim B.M. Rehovot branch #615 account no. 37852; swift: POALILIT. For the removal of doubt, nothing contained in this Agreement shall prevent Yeda and/or the Institute from obtaining further finance for the Research from other entities, provided that, in Yeda's reasonable opinion, such other entities are not granted any rights in respect of the Research and/or the Licensed Information which prejudices any rights granted to the Company under the Licence, and provided further that the obtaining of further finance for Research in the field of depression shall be subject to the prior written consent of the Company which shall not be withheld or delayed unreasonably. For the removal of doubt, the results of any research at the Institute financed by other entities shall not form part of the Licensed Information and shall not be subject to the Licence hereunder. For the further removal of doubt, the Company shall not bear the consequences (whether financial or otherwise) of the obtaining by Yeda of such additional funding, in any manner whatsoever, all of the aforegoing without derogating from any of the Company's obligations under this Agreement.

4. **REPORTING BY YEDA**

4.1. Yeda will procure the preparation by the Scientist of, and shall submit to the Company: (i) an interim written report on the progress of the Research in each 6 (six) month period during the Research Period, within 60 (sixty) days of the end of each such 6 (six) month period, and of a written report summarising the results of the Research within 60 (sixty) days of the end of the Research Period; and (ii) reports of any significant findings in the Research promptly upon such findings being made.

4.2. Yeda shall submit to the Company, with respect to each 6 (six) month period of the Research Period, a financial report setting forth the monies received and expended in connection with the Research during such 6 (six) month period. Each report as aforesaid shall be submitted to the Company not later than 60 (sixty) days after the end of the period covered by such report. Charges in respect of Research expenditures shall be made in accordance with the procedures prevailing at the Institute for charging research expenditures to individual projects of applied research.

5. **TITLE**

5.1. Subject only to the Licence and the rights granted to the Company thereunder, all right, title and interest in and to the Licensed Information and the Patents and all right, title and interest in and to any drawings, plans, diagrams, specifications, other documents, models, or any other physical matter in any way containing, representing or embodying any of the aforegoing, vest and shall vest in Yeda.

5.2. Nothing contained herein shall be construed as granting Yeda any rights in or to or in connection with any of the U.S. DHHS Patent Applications.

Without derogating from the provisions of clause 12 below, in the event that Yeda receives notification from, or any claim or suit filed by PHS claiming and/or alleging that the performance of the Research infringes any of the U.S. DHHS Patents, then Yeda shall be entitled to terminate the Research by written notice to the Company, such termination to be effective on the date specified in such notice. The Company confirms and undertakes to Yeda unconditionally and irrevocably that the Company shall have no claims of any nature whatsoever, in connection with such claim, suit or allegations by PHS and/or alleging that the performance of the Research infringes any of the U.S. DHHS Patents and/or in connection with the termination of the Research as aforesaid, and the Company shall indemnify and hold Yeda harmless from and against any claim, demand, liabilities, losses, damages or expenses (including legal costs and attorneys' fees) of whatsoever kind or nature that directly or indirectly arise from any claim or suit brought by PHS as aforesaid. For the avoidance of doubt, in the event that the Research is terminated pursuant to the terms of the preceding sentence, the Company shall be under no obligation to fund the Research in respect of the period commencing after such termination.

6. **PATENTS; PATENT INFRINGEMENTS**

6.1. At the initiative of either party, the parties shall consult with one another regarding the filing of patent applications in respect of any portion of the Licensed Information, including the jurisdictions in which such applications should be filed, the timing of the filing of such applications and the contents thereof. Following such consultations, and subject to clauses 6.3 and 6.4 below, Yeda shall retain outside patent counsel agreed upon by the Company, to prepare, file and prosecute patent applications as aforesaid in such jurisdiction or jurisdictions as shall be determined by the parties in consultation as aforesaid. Subject to clauses 6.3 and 6.4 below, Yeda shall also maintain at the applicable patent office any patents granted as a result of any of the above patent applications. The parties agree that their joint policy will be to seek comprehensive patent protection for all Licensed Information licensed to the Company hereunder. The Company and Yeda shall cooperate fully in the preparation, filing, prosecution and maintenance of such patent applications and patents.

6.2. All applications to be filed in accordance with the provisions of clause 6.1 above, shall be filed in the name of Yeda or, should the law of the relevant jurisdiction so require, in the name of the relevant inventors and then assigned to Yeda. The Parties agree that should the law of the relevant jurisdiction so allow, and if so requested by the Company, the Company shall be registered as the exclusive licensee with respect to such patents, at the Company's expense, provided that upon the termination of this Agreement for any reason, the Company shall execute all documents or instruments and do all other acts necessary for the cancellation of such registration, at the Company's expense.

6.3. In the event that, following such consultations between the parties regarding the filing, prosecuting and/or maintenance (as applicable) of patent applications and/or patents pursuant to clause 6.1. above, the Company shall not wish to file and/or continue to prosecute a patent application and/or maintain a patent in any country in relation to any part of the Licensed Information, then Yeda, in its discretion, may elect to file and/or continue to prosecute such patent application and/or maintain such patent in such country at its own cost and expense. Yeda shall notify the Company in writing of Yeda's election to file and/or continue to prosecute such patent application and/or maintain such patent in such country as aforesaid, at Yeda's expense (such notice, **"the Yeda Notice"),** and, in the event that the Company shall not, within 30 (thirty) days of receipt of the Yeda Notice: (i) reimburse Yeda for all out-of-pocket costs and fees incurred by Yeda until the date of the Yeda Notice (the Yeda Notice to be supported by receipts or other appropriate documents evidencing such costs and fees) in connection with the said patent application (in the preparation and/or filing and/or prosecution and/or maintenance of such application) and/or such patent, such costs and fees to be expressed in the currency in which paid by Yeda and to be reimbursed or paid (as the case may be) by the Company to Yeda in US Dollars in accordance with the Exchange Rate of such currency on the date of reimbursement or payment; and (ii) undertake in writing to Yeda to bear all additional and future expenses relating to such patent application and/or patent, then Yeda shall be entitled, at any time after the expiry of the said 30 (thirty) day period after the Company's receipt of the Yeda Notice, to terminate the Licence granted to the Company under this Agreement in respect of such patent application and/or patent in such country, and to take whatever action it deems fit (in its sole discretion) with respect to such patent application and/or patent.

6.4.

6.4.1. The Company shall bear and pay all out-of-pocket costs and fees incurred in the preparation, filing and prosecution (and similar activities) of all patent applications filed in accordance with the provisions of clause 6.1 above, and the maintenance at the appropriate patent office (and similar activities) of all patents issuing from the patent applications referred to above.

6.4.2. Unless otherwise instructed by Yeda in writing, the Company shall pay directly to Yeda's relevant outside patent counsel amounts payable by the Company pursuant to this clause 6.4 above or clause 6.3 above.

6.5. Should the Company: (i) determine that a third party is infringing one or more of the Patents; or (ii) be sued on the grounds that the manufacture, use, commercialisation or sale of a Product by it or by a Sublicensee under any of the Patents or using the Licensed Information or any portion thereof infringes upon the patent rights of a third party or be notified of the possibility of such a claim, then the Company shall, after first having consulted Yeda, be entitled to sue for such infringement or defend such action (as the case may be), and (aa) Yeda may elect, at its own initiative, to join as a party to such action, or (bb) where the Company takes any action to sue for infringement of a Patent and if required by law, Yeda shall consent to be named as a party to such action, such consent as aforesaid in this paragraph (bb) may, for the removal of doubt, be conditional upon, *inter alia*, the provision by the Company of security, satisfactory to Yeda, for the payment of the expenses or costs referred to in paragraph (a) below), and Yeda shall cooperate and shall use its reasonable efforts to cause the Scientist to cooperate with the Company in prosecuting or defending such litigation, provided that: (a) any expenses or costs or other liabilities incurred in connection with such litigation (including attorneys fees, costs and other sums awarded to the counterparty in such action) shall be borne by the Company, who shall indemnify Yeda against any such expenses or costs or other liabilities, the above without derogating from the provisions of clause 12 below; (b) in the event that Yeda shall be named as a party in any such litigation then Yeda shall be entitled to select its own legal counsel in such litigation at Yeda's expense, provided that in the event of a conflict of interests, actual or potential, the fees and costs of legal counsel selected by Yeda as aforesaid shall be borne by the Company, and if Yeda elects not to select its own counsel, and no conflict of interests exists, then the selection of the legal counsel representing the Company and Yeda in such litigation shall be subject to prior written approval of Yeda, which approval shall not be withheld unreasonably and Yeda's response to a request for such approval shall not be delayed unreasonably; (c) no settlement, consent order, consent judgment or other voluntary final disposition of such action may be entered into without the prior written consent of Yeda; and (d) if an action is brought against the Company alleging the invalidity of any of the Patents, Yeda shall have the right to take over the sole defence of the action and the Company shall cooperate fully with Yeda in connection with any such action. Any recovery in any litigation as aforesaid relating to an infringement shall first be applied to cover the costs of both parties and thereafter divided 92% (ninety-two percent) to the Company and 8% (eight percent) to Yeda. For the removal of doubt, Yeda shall not itself be obliged to take any action to sue for any infringement or to defend any action as referred to in this clause 6.5 above.

Each party shall notify the other promptly of each infringement or possible infringement of any of the Patents and/or Licensed Information of which such party becomes aware.

6.6. If the Company fails to take action to abate any alleged infringement of a Patent, or to defend any action as aforesaid, within 60 (sixty) days of a written request by Yeda to do so (or within a shorter period, if required to preserve the legal rights of Yeda under applicable law), then, without derogating from any of the Company's rights hereunder, Yeda shall have the right (but not the obligation) to take such action at its expense and the Company shall cooperate in such action at the Company's expense and, if required under applicable law or contract, consent to be named as a party to any such action. Yeda shall have full control of such action and shall have full authority to settle such action on such terms as Yeda shall determine. Any recovery in any such litigation shall be for the account of Yeda only.

6.7. Each party shall notify the other promptly in writing of each infringement or possible infringement of any of the Patents and/or Licensed Information of which such party becomes aware and of any action initiated by any third party concerning any alleged infringement, or any allegation by a third party of infringement resulting from the Patents of which such party becomes aware, giving full particulars thereof. The Company shall keep Yeda informed timeously of developments and provide copies to Yeda of all documents regarding all such actions or proceedings instituted by or against the Company as contemplated under any of the provisions of clause 6.5.

7. **LICENCE**

7.1. Yeda hereby grants the Licence to the Company, and the Company hereby accepts the Licence from Yeda, during the period set out in this Agreement, and for the consideration and subject to the terms and conditions set out in this Agreement. For the removal of doubt, no licence is granted hereunder with regard to the Licensed Information and/or the Patents and/or any portion of any of the aforegoing, with respect to any exploitation or activities (including the activities referred to in clause 1.2.5 above) relating to any product or services, other than Products.

7.2. For the removal of doubt, nothing contained in this Agreement shall prevent Yeda or the Institute from using the Licensed Information and the Patents for academic research or other scholarly purposes only. Notwithstanding the above, Yeda shall not transfer to others materials created during the course of the performance of Research financed by the Company in accordance with the provisions of this Agreement, without the Company's prior written consent, unless such transfer is of small amounts of materials to the Institute's scientists or other research scientists at other institutions, without consideration and for research purposes only. Yeda will procure that the transfer of any such material for research purposes as aforesaid will be made under a material transfer agreement, in the form attached hereto as **Appendix C,** which agreement shall provide, *inter alia*, that any transfer of material thereunder shall, at all times, be subject to Yeda's and the Company's rights under this Agreement.

7.3. The Licence shall remain in force with respect to each Product (if not previously terminated in accordance with the provisions of this Agreement) until the later of:

7.3.1. the date of expiry or revocation of the last of any Patent (including, for the removal of doubt, any patent application, as referred to in the definition of "Patents" in clause 1.2.8 above) in such country covering such Product; or

7.3.2. if there is any Licensed Information that is identifiable, secret and of value relating to such Product, the date of expiry of a period of 15 (fifteen) years commencing on the date of First Commercial Sale by the Company or a Sublicensee of such Product in such country, provided that and for so long as such Licensed Information remains secret and of value.

The Company shall notify Yeda in writing immediately upon the making of each such First Commercial Sale referred to in clause 7.3.2 above, specifying its date, the country in which such sale took place and the type of Product sold.

7.4. A Sublicence under the Licence may be granted by the Company only with the prior written consent of Yeda, which shall not be withheld unreasonably and Yeda's response to a request for such consent shall not be delayed unreasonably, and provided that: (i) the proposed Sublicence is for current or future monetary consideration only; (ii) the proposed Sublicence is to be granted in a *bona fide* arms-length commercial transaction; (iii) any act or omission by the Sublicensee which would have constituted a breach of this Agreement by the Company had it been the act or omission of the Company, shall be deemed a breach of this Agreement by the Company; (iv) the terms of the proposed Sublicence are submitted to Yeda prior to the signature thereof, such to be maintained in confidence by Yeda; and (v) the proposed Sublicence is made by written agreement, the provisions of which are consistent with the terms of the Licence, and contain, *inter alia*, the following terms and conditions:

7.4.1. the Sublicence shall expire automatically on the termination of the Licence for any reason;

7.4.2. the Sublicensee shall be bound by provisions substantially similar to those in clause 10 below relating to confidentiality binding the Company (the obligations of the Sublicensee so arising being addressed also to Yeda directly);

7.4.3. an exclusion of liability and indemnification undertaking in the same form, *mutatis mutandis*, as the provisions of clause 12 below (the indemnification obligations of the Sublicensee to be given also in favour of, and shall be actionable by Yeda, the Institute, any director, officer or employee of Yeda or of the Institute, or by the Scientist);

7.4.4. all terms necessary to enable performance by the Company of its obligations hereunder;

7.4.5. that the Sublicence shall not be assignable, otherwise transferable or further sublicenseable;

7.4.6. that: (i) a copy of the agreement granting the Sublicence shall be made available to Yeda, within 14 (fourteen) days of its execution; (ii) all amendments to any such Sublicence agreement shall be subject to Yeda's prior written consent, which shall not be unreasonably withheld; and (iii) the Company shall submit to Yeda copies of all such amendments (as approved by Yeda), within 14 (fourteen) days of the execution thereof; and

7.4.7. that the Sublicensee shall grant to Yeda the right, at reasonable times during the Sublicensee's business hours and upon reasonable notice to the Sublicensee, to send representatives in order to examine those books of accounts, records and other documentation of the Sublicensee as may be necessary in order to determine the correctness or completeness of any payment made by the Company to Yeda under this Agreement, all without derogating from clause 9.5 below.

7.5. For the removal of doubt, the Company shall not be entitled to grant, directly or indirectly, to any person or entity any right of whatsoever nature to exploit or use in any way the Licensed Information or the Patents or to develop, manufacture and/or sell the Products or any part of any of the aforegoing, save by way of Sublicence within the meaning of such term in clause 1.2.11 above and subject to the conditions of this clause 7 relating to any such grant.

7.6. Nothing contained in this Agreement shall be deemed to be a representation or warranty, express or implied, by Yeda that any patent applications relating to the Licensed Information or any portion thereof will be granted or that the patents obtained on any of the said patent applications are or will be valid or will afford proper protection or that the Licensed Information is or will be commercially exploitable or of any other value or that the exploitation of the Patents or the Licensed Information will not infringe the rights of any third party.

8. DEVELOPMENT AND COMMERCIALIZATION

8.1. Within 18 (eighteen) months of the date of signature of this Agreement, the Company shall submit to Yeda, for its written approval (not to be unreasonably withheld), a Development Program for the development of Products (such Development Program, as approved by Yeda, **"the Initial Development Program").** Such Initial Development Program may be updated by the Company from time to time based on reasonable grounds to be notified to Yeda in writing, subject to the Company's discretion and without derogating from the milestones set in 13.2.1 below.

8.2. The Company undertakes, at its own expense, to take all commercially reasonable steps to commercialise the Products and, without derogating from the generality of the foregoing, to use commercially reasonable efforts to expedite the commencement of the commercial sale of the Products and use commercially reasonable efforts to continue with marketing and sale of the Products throughout the term of the Licence. For such purpose and without derogating from the generality of the aforegoing, the Company shall carry out and/or have a third party carry out on its behalf the performance of the trials, tests and other works and activities detailed in the Initial Development Program and in all further Development Programs (if any) submitted and approved pursuant to clause 8.5 below, in accordance with the respective timetables included therein.

8.3. The Company shall, after the delivery to, and approval by, Yeda of the Initial Development Program under clause 8.1 above, provide Yeda on December 31 of each calendar year with written progress reports **("Progress Reports")** which shall include detailed descriptions of the progress and results, if any, of: (i) the tests and trials conducted and all other actions taken by the Company pursuant to the Initial Development Program or any other Development Program delivered and approved pursuant to clause 8.5 below; (ii) manufacturing, sublicensing, marketing and sales during the preceding 12 (twelve) months; and (iii) the Company's plans in respect of the testing, undertaking of trials or commercialisation of Products for the following 12 (twelve) months; and (iv) projections of sales and marketing efforts following the First Commercial Sale. If progress in respect of a Product differs from that anticipated in its Development Program or preceding Progress Report, then the Company shall explain, in its Progress Report, the reason therefor and prepare a modified Development Program for Yeda's review subject to and without derogating from the milestones set in 13.2 below. The Company shall also make reasonable efforts to provide Yeda with any reasonable additional data that Yeda requires to evaluate the performance of the Company hereunder.

8.4. For the removal of doubt, without derogating from the remaining provisions of this clause 8 or of clause 13.2 below, nothing contained in this Agreement shall be construed as a warranty by the Company that any Development Program to be carried out by it as aforesaid will actually achieve its aims or any other results and the Company makes no warranties whatsoever as to any results to be achieved in consequence of the carrying out of any such Development Program. Furthermore, the Company makes no representation to the effect that the commercialization of the Product(s), or any part thereof, will succeed.

8.5. Without derogating from the obligations of the Company pursuant to this clause 8 or from the provisions of clause 13.2 below, in the event that the Company shall wish to develop and/or commercialise Products in addition to those specified in the Initial Development Program, the Company shall submit to Yeda, for its written approval (not to be unreasonably withheld), a further Development Program in respect of such additional Products and the provisions of this clause 8 shall apply also with respect to such further Development Program and to the development and commercialisation of such additional Products, *mutatis mutandis.*

8.6. The Company agrees to lend (for no consideration) Yeda and/or the Institute one unit of the Product developed and/or manufactured under this Agreement, for academic research purposes only.

8.7. The Company shall mark, and cause all its Sublicensees to mark, all Products that are manufactured or sold under this Agreement with the number or numbers of each Patent applicable to such Product.

9. **ROYALTIES**

9.1. In consideration for the grant of the Licence, the Company shall pay Yeda:

9.1.1. (i) one-time non-refundable and non-deductible fee of US $5,000 (five thousand United States Dollars) to be paid by the Company within 30 thirty days of obtaining marketing approval from the first of **either** (i) the FDA in the USA, **or** (ii) equivalent regulatory authorities in Europe for a particular category of Products (such amount to be paid, for the removal of doubt, once only with respect to each category of Products approved as aforesaid), provided that if the Products in the relevant category are not U.S. DHHS Patent Protected Products, then the fee referred to above shall be US $10,000 (ten thousand United States Dollars);

(ii) one-time sum of US $25,000 (twenty-five thousand United States Dollars) on the date of issuance of the first of the patents issuing from any of the patent applications filed in accordance with the provisions of clause 6.1 above;

9.1.2.

9.1.2.1. a royalty of 1.5% (one point five percent) of Net Sales of up to and including an aggregate cumulative amount of US $10,000,000 (ten million United States Dollars) by or on behalf of the Company or any Sublicensees; and

9.1.2.2. a royalty of 1% (one percent) of all further Net Sales by or on behalf of the Company or any Sublicensees *(i.e.*, Net Sales in excess of the aggregate cumulative amount of US $10,000,000 (ten million United States Dollars));

provided that:

(i) With respect to Net Sales from sales of any Products that are not U.S. DHHS Patent Protected Products, the royalty rate referred to in clause 9.1.2.1 above shall be 3% (three percent) and the royalty rate referred to in clause 9.1.2.2 above shall be 2% (two percent); and

(ii) In the event that in any calendar year during the term of this Agreement commencing on the first day of January of the first calendar year following the date of expiry of the Research (as extended, if extended, pursuant to the last sentence in clause 2.1 above), the total royalties pursuant to this clause 9.2 payable by the Company to Yeda shall be less than US $1,000 (one thousand United States Dollars), the Company shall pay to Yeda, within 30 (thirty) days after the end of such calendar year, in addition to such royalties as aforesaid, the sum being the difference between US $1,000 (one thousand United States Dollars) and such total royalties payable in such calendar year; and

(iii) If any Product is sold by the Company to a Sublicensee and is subsequently resold by such Sublicensee, royalties shall be paid to Yeda pursuant to this clause 9.1.2 above on the higher of: (a) Net Sales from the said sale; and (b) Net Sales from the resale as aforesaid;

and

9.1.3. 4% (four percent) of all Sublicensing Receipts; provided that with respect to Sublicensing Receipts received pursuant to or in connection with a Sublicence for the development and/or manufacture and/or marketing and/or distribution and/or sale of Products that are not U.S. DHHS Patent Protected Products, the percentage of Sublicensing Receipts payable to Yeda shall be 8% (eight percent).

For the removal of doubt, the Company undertakes that all sales (within the meaning of such term in clause 1.3.3 above) of Products by the Company and each Sublicensee shall only be for cash consideration or some equivalent to which a value can be assigned for the purposes of determining Net Sales under this Agreement.

9.2. In calculating Net Sales and Sublicensing Receipts, all amounts shall be expressed in US Dollars and any amount received in a currency other than US Dollars shall be translated into US Dollars, for the purposes of calculation, in accordance with the Exchange Rate between the US Dollar and such currency on the date of such receipt. For the removal of doubt, in calculating amounts received by the Company, whether by way of Net Sales or Sublicensing Receipts, any amount deducted or withheld in connection with any such payment on account of taxes on net income (including income taxes, capital gains tax, taxes on profits or taxes of a similar nature) payable by the Company in any jurisdiction, shall be deemed, notwithstanding such deduction or withholding, to have been received by the Company. In the event that the Sublicensing Receipts comprise, in whole or in part, of non-cash consideration (including shares or other securities of the Sublicensee or any other entity), then the Company agrees, promptly upon Yeda's request, to execute and deliver such documents and instruments and do any other acts as may be necessary, so that Yeda receives the applicable percentage share of such non-cash consideration as provided in clause 9.1.3.

9.3.

9.3.1. Amounts payable to Yeda in terms of this clause 9 shall be paid to Yeda in US Dollars: (i) in the case of Net Sales, on a half-year basis and no later than 30 (thirty) days after the end of each calendar half-year, commencing with the first calendar half-year in which any Net Sales are made; or (ii) in the case of Sublicensing Receipts, no later than 14 (fourteen) days after any such Sublicensing Receipts are actually received by the Company from any Sublicensees.

9.3.2. The Company shall submit to Yeda: (i) no later than 14 (fourteen) days after any Sublicensing Receipts are received, an interim written report setting out amounts owing to Yeda in respect of such Sublicensing Receipts; and (ii) no later than 30 (thirty) days after the end of each calendar half-year, commencing with the first calendar half-year in which any Net Sales are made, or Sublicensing Receipts received by the Company, a full and detailed report, in a form reasonably acceptable to Yeda, certified as being correct by the chief financial officer of the Company, setting out all amounts owing to Yeda in respect of such previous calendar half-year to which the report refers, and with full details of:

9.3.2.1. (i) the sales made by the Company and Sublicensees, including a breakdown of Net Sales according to country, identity of seller, currency of sales, dates of invoices, number and type of Products sold; and

(ii) the Sublicensing Receipts, including a breakdown of Sublicensing Receipts according to identity of Sublicensees, countries, the currency of the payment and date of receipt thereof; and

(iii) eductions applicable, as provided in the definition of “Net Sales”;

and

9.3.2.2. any other matter reasonably necessary to enable the determination of the amounts of royalties payable to Yeda hereunder.

9.4. The Company shall keep and shall cause Sublicensees to keep complete, accurate and correct books of account and records consistent with sound business and accounting principles and practices and in such form and in such details as to enable the determination of the amounts due to Yeda in terms hereof. The Company shall supply Yeda at the end of each calendar year, commencing with the first calendar year in which any amount is payable by the Company to Yeda under this clause 9, a report signed by the Company’s independent auditors in respect of the amounts due to Yeda pursuant to this clause 9 in respect of the year covered by the said report and containing details in accordance with clause 9.3 above in respect of the half-year reports. The Company shall retain and shall require and cause its Sublicensees to, retain the aforegoing books of account for 6 (six) years after the end of each calendar year during the period of this Agreement, and, if this Agreement is terminated for any reason whatsoever, for 6 (six) years after the end of the calendar year in which such termination becomes effective.

9.5. At Yeda’s expense, Yeda shall be entitled to appoint representatives to inspect during the Company’s normal business hours and to make copies of the Company’s and Sublicensees’ books of accounts, records and other documentation (including technical data and lab books) to the extent relevant or necessary for the ascertainment or verification of the amounts due to Yeda under this clause 9, provided however that Yeda shall coordinate such inspection with the Company or Sublicensee (as the case may be) in advance. The Company shall take all steps necessary so that all such books of account, records and other documentation of the Company are available for inspection as aforesaid at a single location, and the Company shall procure a contractual obligation from each of its Sublicensees to have all of such Sublicensee’s books of account, records and other documentation available for inspection at a single location. In the event that any inspection as aforesaid reveals any underpayment by the Company to Yeda in respect of any calendar year of the Agreement in an amount exceeding 5% (five percent) of the amount actually paid by the Company to Yeda in respect of such year then the Company shall (in addition to paying Yeda the shortfall together with interest thereon in accordance with clause 13.4 below), bear the actually incurred costs of such inspection. The provisions of this clause 9 shall survive the termination of this Agreement for whatsoever reason. Yeda shall not be entitled to exercise its auditing rights under this clause more than twice in any calendar year. For the removal of doubt, each audit shall continue for such period as Yeda, in its discretion, deems necessary.

10. **CONFIDENTIALITY**

10.1. The Company shall maintain in confidence all information or data relating to the Patents, the Licensed Information, this Agreement and the terms hereof (hereinafter, collectively referred to as **"the Confidential Information")**, except and to the extent that the Company can prove that any such information or data is in the public domain at the date of the signing hereof or becomes part of the public domain thereafter (other than through a violation by the Company or a Sublicensee of this obligation of confidentiality) and except with regard to that portion, if any, of the Confidential Information expressly released by Yeda from this obligation of confidentiality by notice in writing to the Company to such effect. Notwithstanding the foregoing, the Company may disclose to its personnel and Sublicensees the Confidential Information to the extent necessary for the exercise by it of its rights hereunder or in the fulfilment of its obligations hereunder, provided that such personnel and such Sublicensees are bound by similar obligations of confidentiality in writing. The Company shall be responsible and liable to Yeda for any breach by its personnel or any Sublicensee of such undertakings of confidentiality as if such breach were a breach by the Company itself. For the removal of doubt, the provisions of this clause 10.1 shall not apply in respect of any information (not being Licensed Information) independently developed by the Company without reference to the Confidential Information received from Yeda.

10.2. In addition to and without derogating from the aforegoing, the Company undertakes not to make mention of the names of Yeda, the Institute, the Scientist (in his capacity as a scientist at the Institute and/or with respect to the Patents or the Licensed Information or this Agreement) or any scientists or other employees of the Institute or any employee of Yeda in any manner or for any purpose whatsoever in relation to this Agreement, its subject-matter and any matter arising from this Agreement or otherwise, unless the prior written approval of Yeda thereto has been obtained, which approval shall not be unreasonably withheld. The Company will be entitled to submit, for Yeda's prior written approval, a schedule setting out specimens of standard wording, which, if approved by Yeda as aforesaid, may be used by the Company without the need to obtain Yeda's written approval prior each such use.

10.3. Notwithstanding the provisions of clauses 10.1 and 10.2 above, the Company shall not be prevented from mentioning the name of Yeda, the Institute, the Scientist and/or any scientists or other employees of the Institute or any employee of Yeda or from disclosing any information if, and to the extent that, such mention or disclosure is to competent authorities for the purposes of obtaining approval or permission for the exercise of the Licence, or in the fulfilment of any legal duty owed to any competent authority (including a duty to make regulatory filings); provided that, any mention in a private placement memorandum or a public offering registration statement shall not be deemed fulfilment of a legal duty to a competent authority, and any such mention shall be subject to Yeda's consent, which consent shall not be withheld unreasonably. Without derogating from the aforegoing, the Company shall be entitled to disclose the existence and the terms of this Agreement to any potential investor(s) in the Company, subject to such investor(s) being bound by a written undertaking of confidentiality to the Company on similar terms to those set out in this clause 10 above, provided that the Company informs Yeda of the identity of such investor(s) to which such disclosure has been made.

10.4. No termination of this Agreement, for whatever reason, shall release the Company from any of its obligations under this clause 10 and such obligations shall continue in force until the later of: (i) the date of expiry of a period of 3 (three) years after the termination of this Agreement for whatever reason; and (ii) the date of expiry of a period of 5 (five) years following the disclosure of the Confidential Information to the Company. The provisions of this Clause 10.4 shall not apply in respect of the obligations of the Company set forth in Clause 10.3 above or in respect of the obligation of the Company to maintain this Agreement and the terms thereof in confidence, which obligations as aforesaid shall survive the termination of this Agreement indefinitely.

10.5. Yeda shall maintain in confidence the existence of this Agreement and the terms hereof, the terms of Sublicence agreements, as well as all information received by Yeda from the Company which has been designated by the Company in writing as confidential, except and to the extent that Yeda can prove that: (i) any such information or data is in the public domain at the date of the signing hereof or becomes part of the public domain thereafter (other than through a violation by Yeda of this obligation of confidentiality) or is released by the Company from this obligation of confidentiality by notice in writing; (ii) Yeda is required to disclose such information in order to fulfill its obligations under this Agreement (including in connection with the filing and prosecution of patent applications in accordance with the provisions of clause 6 above); or (iii) Yeda is required to disclose such information in fulfilment of any legal duty owed to any competent authority (the Company hereby acknowledging that it is aware that such competent authority may not be bound by any confidentiality obligations and may disclose or be required to disclose such information to a third party, whether by order of court or by law or otherwise). Yeda shall notify the Company thereof in writing as soon as possible in order to enable the Company to oppose such disclosure. For the removal of doubt, the provisions of this clause 10.5 shall not apply in respect of any information (not being Licensed Information) independently developed at the Institute without reference to the confidential information received from the Company.

10.6. For the removal of doubt, Yeda shall have the right to allow the scientist of the Institute to publish articles relating to the Licensed Information in scientific journals or posters or to give lectures or seminars to third parties relating to the Licensed Information, on the condition that, to the extent that the information to be published or disclosed is Licensed Information which is not in the public domain, a draft copy of the said contemplated publication or disclosure shall have been furnished to the Company at least 60 (sixty) days before the making of any such publication or disclosure and the Company shall have failed to notify Yeda in writing, within 30 (thirty) days from receipt of the said draft publication or disclosure, of its opposition to the making of the contemplated publication or disclosure. Should the Company notify Yeda in writing within 30 (thirty) days from the receipt of the draft contemplated publication or disclosure that it opposes the making of such publication or disclosure because it includes material (which has been specified in said notice) in respect of which there are reasonable grounds (which have also been specified in said notice) requiring the postponement of such publication or disclosure so as not adversely to affect the Company's interests under the Licence because such Licensed Information is patentable subject-matter for which patent protection pursuant to clause 6.1 above should be sought, then Yeda shall not permit such publication or disclosure unless and until there shall first have been filed (by or on behalf of Yeda) an appropriate patent application in respect of the material to be published or disclosed as aforesaid. The Company acknowledges that it is aware of the importance to the researchers of publishing their work and, accordingly, the Company will use its reasonable efforts not to oppose such publications.

10.7. Subject to the second sentence hereunder, no termination of this Agreement, for whatever reason, shall release Yeda from any of its obligations under this clause 10 and such obligations shall continue in force until the later of: (i) the date of expiry of a period of 3 (three) years after the termination of this Agreement for whatever reason; and (ii) the date of expiry of a period of 5 (five) years following the disclosure of the information described in clause 10.5 above to Yeda. The provisions of this clause 10.7 shall not apply in respect of the Company's Information (as defined in clause 13.5 below) or in respect of any information regarding the existence of this Agreement the terms hereof and the termination thereof, and Yeda's obligations with respect thereto pursuant to clause 10 above shall terminate upon termination of this Agreement.

11. **NO ASSIGNMENT**

11.1. The Company shall not be entitled to assign or encumber all or any of its rights or obligations under this Agreement or arising therefrom, unless it shall have received the prior written consent of Yeda to such assignment or encumbrance, which consent, if given, may be conditioned by Yeda on, *inter alia*, the payment of a fee or other consideration in relation thereto (including, if so conditioned by Yeda, that any consideration received by the Company in respect of an assignment to which Yeda consents as aforesaid shall be deemed to be Sublicensing Receipts and the provisions of clause 9 above shall apply with respect thereto, *mutatis mutandis*). For the purposes of this clause 11, the merger of the Company with another entity in the event that the Company is not the surviving entity shall be deemed to be an assignment.

11.2. Notwithstanding the aforegoing, the Company shall not be required to obtain Yeda's prior written consent in the event of:

11.2.1. an assignment of this Agreement upon a merger of the Company with another entity or upon the sale of all or substantially all of the Company's assets, shares or business; provided that: (i) no material breach of the Company's obligations under this Agreement shall have occurred prior to the date of assignment and remain unremedied at the date thereof, or if such material breach has occurred, Yeda shall not have waived, in writing, its rights to terminate this Agreement on account of such breach; (ii) the assignee shall confirm to Yeda in writing that it accepts all the obligations of the Company hereunder; and (iii) the assignee shall not be entitled to further assign this Agreement without Yeda's prior written consent; or

11.2.2. an assignment of this Agreement to a wholly-owned subsidiary of the Company (which shall remain a wholly-owned subsidiary of the Company during the term of the Licence), subject to the conditions set out in paragraphs (i) to (iii) of clause 11.2.1 above, which shall apply *mutatis mutandis*; and provided that if the assignee shall cease to be a wholly-owned subsidiary of the Company **("the Cessation"),** then the assignee shall be required to obtain Yeda's written consent prior to the Cessation pursuant to clause 11.1 above, which shall apply, *mutatis mutandis.* If such prior written consent is not granted, then this Agreement shall terminate automatically upon the Cessation.

12. **EXCLUSION OF LIABILITY AND INDEMNIFICATION**

12.1. Yeda, the Scientist, the Institute and the directors, officers and employees of Yeda and/or of the Institute (hereinafter collectively **"the Indemnitees")** shall not be liable for any claims, demands, liabilities, costs, losses, damages or expenses (including legal costs and attorneys' fees) of whatever kind or nature (all of the aforegoing, collectively, **"Liabilities")** caused to or suffered by any person or entity (including the Company or any Sublicensee) that directly or indirectly arise out of or result from or are encountered in connection with this Agreement or the exercise of the Licence, including directly or indirectly arising out of or resulting from or encountered in connection with: (i) the development, manufacture, sale or use of any of the Products by the Company, any Sublicensee or any person acting in the name of or on behalf of any of the aforegoing, or acquiring, directly or indirectly, any of the Products from any of the aforegoing; or (ii) the exploitation or use by the Company or any Sublicensee of the Licensed Information or any part thereof, including of any data or information given, if given, in accordance with this Agreement.

12.2. In the event that any of the Indemnitees should incur or suffer any Liabilities that directly or indirectly arise out of or result from or are encountered in connection with this Agreement or the exercise of the Licence as aforesaid in clause 12.1 above, or shall be requested or obliged to pay to any person or entity any amount whatsoever as compensation for any Liabilities as aforesaid in clause 12.1 above, then the Company shall indemnify and hold harmless such Indemnitees from and against any and all such Liabilities. Without limiting the generality of the aforegoing, the Company's indemnification as aforesaid and the exclusion of liability in clause 12.1 above shall extend to product liability claims and to damages, claims, demands, liabilities, losses, costs and expenses attributable to death, personal injury or property damage or to penalties imposed on account of the violation of any law, regulation or governmental requirement.

12.3. The Company shall at its own expense insure its liability pursuant to clause 12.2 above during the period beginning on the date of expiry of the Research Period or, if earlier, the date of commencement of clinical trials in respect of any Product and continuing during the entire period that the Licence is in force in any country, plus an additional period of 7 (seven) years. Such insurance shall be in reasonable amounts and on reasonable terms in the circumstances, having regard, in particular, to the nature of the Products, and shall be subscribed for from a reputable insurance company. The named insured under such insurances shall be the Company, the Inventors, Yeda and the Institute and the beneficiaries thereof shall include also the respective employees, officers and directors of Yeda and the Institute. The policy or policies so issued shall include a "cross-liability" provision pursuant to which the insurance is deemed to be separate insurance for each named insured (without right of subrogation as against any of the insured under the policy, or any of their representatives, employees, officers, directors or anyone in their name) and shall further provide that the insurer will be obliged to notify each insured in writing at least 30 (thirty) days in advance of the expiry or cancellation of the policy or policies. The Company hereby undertakes to comply punctually with all obligations imposed upon it under such policy or policies and in particular, without limiting the generality of the aforegoing, to pay in full and punctually all premiums and other payments for which it is liable pursuant to such policy or policies. The Company shall be obliged to submit to Yeda copies of the aforesaid insurance policy or policies within 14 (fourteen) days of the date of issue of each such policy.

12.4. The provisions of this clause 12 shall survive the termination of this Agreement for whatsoever reason.

13. **TERM AND TERMINATION**

13.1. Unless otherwise agreed to in writing, this Agreement shall terminate upon the occurrence of the later of the following:

13.1.1. the date of expiry of the last of the Patents; or

13.1.2. the expiry of a continuous period of 20 (twenty) years during which there shall not have been a First Commercial Sale of any Product in any country.

13.2. Notwithstanding anything to the contrary contained in this Agreement:

13.2.1. Yeda shall be entitled, at its option:

(i) to modify the Licence hereunder so that it is non-exclusive only, by written notice to the Company (any such amendment of this Agreement by Yeda as aforesaid, being effective immediately, the Company's consent thereto (written or otherwise) not being required, notwithstanding the provisions of clause 17.2 below); or

(ii) to terminate this Agreement (including the Licence hereunder), by giving the Company 45 (forty-five) days written notice,

if:

(a) an application for marketing approval for at least one Product is not submitted to the FDA or an equivalent regulatory authority by June 1, 2007;

(b) FDA or equivalent marketing approval is not obtained for at least one Product by June 1, 2008;

(c) the First Commercial Sale of at least one Product shall not have occurred by January 1, 2009; or

(d) commercial sale of any Product having commenced, there shall be a period of 12 (twelve) months or more during which no sales of any Product shall take place (except as a result of force majeure or other factors beyond the control of the Company);

provided that if and to the extent the Company and PHS shall agree to extend the development milestone dates set out in the PHS Patent License Agreement, then the dates stipulated in paragraphs (a) to (d) above shall be extended by the same period(s) that such development milestone dates are extended in the PHS Patent License Agreement, but only with respect to Products that are U.S. DHHS Patent Protected Products.

13.2.2. Without derogating from the aforegoing, Yeda shall be entitled to terminate this Agreement (unless previously terminated in accordance with the provisions of this Agreement), by written notice to the Company (effective immediately), if the Company contests the validity of any of the Patents.

13.2.3. Without derogating from the aforegoing, the Company shall be entitled to terminate this Agreement at any time after the expiry of the Research Period and prior to the First Commercial Sale of any Product in any country (unless previously terminated in accordance with the provisions of this Agreement), by giving Yeda 60 (sixty) days' written notice of termination, if the Company determines, within its sole discretion, that it does not require the use of the Licensed Information or any part thereof. The Company shall have no obligation to compensate Yeda as a result only of termination by the Company pursuant to this clause 13.2.3 above. For the removal of doubt, nothing contained herein shall derogate from any of Yeda's rights arising prior to such termination.

13.2.4. Without derogating from the aforegoing, in the event that the PHS Patent License Agreement is terminated due to the failure or inability of the Company to develop any products pursuant to thereto, this Agreement shall terminate automatically upon the termination of the PHS Patent License Agreement as aforesaid.

The Company shall notify Yeda promptly of any notice received by the Company from PHS (including any notice in respect of any default by the Company) or of any occurrences, demands, actions, threatened actions or any other matter of which the Company is aware which may adversely affect its performance under the PHS Patent License Agreement and/or the validity or continued force and effect of the PHS Patent License Agreement and/or the licences granted thereunder.

13.3. Without derogating from the parties' rights hereunder or at law to any other or additional remedy or relief, it is agreed that either Yeda or the Company may terminate this Agreement and the Licence hereunder by serving a written notice to that effect on the other (effective immediately) upon or after: (i) the commitment of a material breach hereof by the other party, which material breach cannot be cured or, if curable, which has not been cured by the party in breach within 30 (thirty) days (or, in the case of failure by the Company to pay any amount due from the Company to Yeda pursuant to or in connection with this Agreement on or before the due date of payment, 10 (ten) days) after receipt of a written notice from the other party requesting the remedy of such breach, or (ii) the granting of a winding-up order in respect of the other party, or upon an order being granted against the other party for the appointment of a receiver, or if such other party passes a resolution for its voluntary winding-up, or if a temporary or permanent liquidator or receiver is appointed in respect of such other party, or if a temporary or permanent attachment order is granted on such other party's assets, or a substantial portion thereof, or if such other party shall seek protection under any laws or regulations, the effect of which is to suspend or impair the rights of any or all of its creditors, or to impose a moratorium on such creditors, or if anything analogous to any of the aforegoing in this clause 13.3(ii) above under the laws of any jurisdiction occurs in respect of such other party; provided that in the case that any such order or act is initiated by any third party, the right of termination shall apply only if such order or act as aforesaid is not cancelled within 60 (sixty) days of the grant of such order or the performance of such act.

13.4. Any amount payable hereunder by one of the parties to the other, that has not been paid by its due date of payment, shall bear interest from its due date of payment until the date of actual payment, at the maximum rate prevailing from time to time during the period of arrears at Bank Hapoalim B.M. in respect of unapproved overdrafts in current accounts.

13.5. Upon the termination of this Agreement for whatever reason, except by the passage of time: (i) all rights in and to the Licensed Information and the Patents shall revert to Yeda and the Company shall not be entitled to make any further use thereof and the Company shall deliver to Yeda all drawings, plans, diagrams, specifications, other documentation, models or any other physical matter in the Company's possession in any way containing, representing or embodying the Licensed Information; and (ii) the Company shall grant to Yeda a non-exclusive, irrevocable, perpetual, paid-up, worldwide licence in respect of the Company's Information. In this clause 13.5 above, the term **"the Company's Information"** shall mean any invention, product, material, method, process, technique, know-how, data, information or other result which does not form part of the Licensed Information, discovered or occurring in the course of or arising from the performance by the Company of the development work pursuant to clause 8 above, including any regulatory filing or approval, filed or obtained by the Company in respect of the Products.

13.6. The termination of this Agreement for any reason shall not relieve either party hereto of any obligations which shall have accrued prior to such termination.

13.7. For the avoidance of doubt, it is hereby recorded and agreed that following the expiry of the Licence hereunder in any country with respect to any Product (hereinafter **"the said country"** and **"the said Product"),** such expiry occurring by passage of time only pursuant to clause 7.3 above, then, notwithstanding such expiry and as long as this Agreement is in force and even thereafter, if this Agreement has expired as a consequence only of the passage of time pursuant to clause 13.1 above, the Company shall be entitled to continue to manufacture and/or sell the said Product in the said country without having to pay royalties to Yeda in respect of such activities subsequent to such expiry date. This clause 13.7 shall survive termination of this Agreement pursuant to clause 13.1.

13.8. In the event that this Agreement shall be terminated, other than by way of termination by Yeda pursuant to clause 13.2.2 or 13.3 above, and that, at any time within 5 (five) years following such termination, Yeda shall grant to a third party a licence in respect of the Company's Information or any part thereof (alone or together with any part of the Licensed Information) and Yeda shall receive in respect of such licence consideration, then, subject to the Company having complied and continuing to comply with all its obligations under this Agreement which remain in existence following termination of this Agreement as aforesaid (including the provisions of clause 13.5 above, Yeda shall pay to the Company 25% (twenty-five percent) of the Net Proceeds actually received by Yeda in respect of such a licence, until such time as the Company shall have received, in aggregate, the full amount of the Research Budget actually paid by the Company to Yeda, as well as all the development expenses incurred by the Company in acquiring the Company's Information, as certified by the independent accountants of the Company. Yeda shall pay to the Company amounts, if any, payable under this clause 13.8 above, within 90 (ninety) days of receipt of the relevant Net Proceeds.

For the purpose of this clause 13.8, **"Net Proceeds"** means royalties or other monetary consideration actually received by Yeda in respect of such licence (excluding funds for research and/or development at the Institute or payments for the supply of services) after deduction of all costs, fees and expenses incurred by Yeda in connection with such licence (including, without limitation, patent related costs, and all attorneys fees and expenses and other costs and expenses actually incurred by Yeda in connection with the negotiation, conclusion and administration of such licence) and, in the case of patent related costs and expenses—to the extent that such costs and expenses have not actually been paid or reimbursed to Yeda by any licensee under such licence.

14. **NOTICES**

Any notice or other communication required to be given by one party to the other under this Agreement shall be in writing and shall be deemed to have been served: (i) if personally delivered, when actually delivered; or (ii) if sent by facsimile, the next business day after receipt of confirmation of transmission; or (iii) 10 (ten) days after being mailed by certified or registered mail, postage prepaid (for the purposes of proving such service—it being sufficient to prove that such notice was properly addressed and posted) to the respective addresses of the parties set out below, or to such other address or addresses as any of the parties hereto may from time to time in writing designate to the other party hereto pursuant to this clause 14:

14.1. to Yeda at:
P.O. Box 95
Rehovot 76100
Attention: the CEO
Facsimile: (08) 9470739

14.2. to the Company at:
c/o Tulchinsky Stern & Co,
Law Offices
14 Abba Hillel Street
Ramat Gan
Attention: Yaacov Michlin
Facsimile: +972 3 751 1127

15. **VALUE ADDED TAX**

The Company shall pay to Yeda all amounts of Value Added Tax imposed on Yeda in connection with the transactions under this Agreement. All amounts referred to in this Agreement are gross amounts (subject to withholding tax as provided in 17.9 below) and are exclusive of Value Added Tax.

16. **GOVERNING LAW AND JURISDICTION**

16.1. This Agreement shall be governed in all respects by the laws of Israel and the parties hereby submit to the exclusive jurisdiction of the competent courts of Tel Aviv-Jaffa, except that Yeda may bring suit against the Company in any other jurisdiction outside Israel in which the Company has assets or a place of business.

16.2. Without prejudice to the right of Yeda to make service in any other manner permitted by law, the Company:

16.2.1. irrevocably appoints Moach Research and Development Services Ltd. of HaRechavim 15, Jerusalem as its agent for service of process in relation to any suit or proceedings before the Israeli courts in connection with this Agreement;

16.2.2. agrees to maintain such an agent for service of process in Israel during the period commencing on the date hereof and ending 7 (seven) years after the date of termination of this Agreement;

16.2.3. agrees that failure by a process agent to notify the Company of the process will not invalidate the proceedings concerned; and

16.2.4. agrees that if the appointment of Moach Research and Development Services Ltd. referred to in clause 16.2.1 above ceases to be effective for the Company, the Company shall immediately appoint a further person in Israel to accept service of process on its behalf in Israel and, failing such appointment within 15 (fifteen) days, Yeda is entitled to appoint such a person by notice to the Company.

17. **MISCELLANEOUS**

17.1. The headings in this Agreement are intended solely for convenience or reference and shall be given no effect in the interpretation of this Agreement.

17.2. This Agreement constitutes the entire agreement between the parties hereto in respect of the subject-matter hereof, and supersedes all prior agreements or understandings between the parties relating to the subject-matter hereof (including the Memorandum of Understanding between Yeda and the Company dated 31 August 2004 and, subject to clause 13.2.1 above, this Agreement may be amended only by a written document signed by both parties hereto. No party has, in entering into this Agreement, relied on any warranty, representation or undertaking, except as expressly set out herein.

17.3. This Agreement may be executed in any number of counterparts (including counterparts transmitted by telecopier or fax), each of which shall be deemed to be an original, but all of which taken together shall be deemed to constitute one and the same instrument.

17.4. No waiver by any party hereto, whether express or implied, of its rights under any provision of this Agreement shall constitute a waiver of such party's rights under such provisions at any other time or a waiver of such party's rights under any other provision of this Agreement. No failure by any party hereto to take any action against any breach of this Agreement or default by another party hereto shall constitute a waiver of the former party's rights to enforce any provision of this Agreement or to take action against such breach or default or any subsequent breach or default by such other party.

17.5. If any provision of this Agreement is held to be unenforceable under applicable law, then such provision shall be modified as set out below and the balance of this Agreement shall be interpreted as if such provision were so modified and shall be enforceable in accordance with its terms. The parties shall negotiate in good faith in order to agree on the terms of an alternative provision which complies with applicable law and achieves, to the greatest extent possible, the same effect as would have been achieved by the invalid or unenforceable provision.

17.6. Nothing contained in this Agreement shall be construed to place the parties in a relationship of partners or parties to a joint venture or to constitute either party an agent, employee or a legal representative of the other party and neither party shall have power or authority to act on behalf of the other party or to bind the other party in any manner whatsoever.

17.7. All payments to be made to Yeda hereunder shall be made in US Dollars by banker's cheque or by bank transfer to Yeda's bank account, the details of which are as set out in clause 3 above.

17.8. All payments to be made to Yeda hereunder shall be made free and clear of, and without any deduction for or on account of, any set-off, counterclaim or tax, subject to clause 17.9 below.

17.9.

17.9.1. In the event that the Company is required under applicable law, to withhold amounts from the payments to be made under the terms of this Agreement (such payments, for the avoidance of doubt, being gross payments as aforesaid in clause 15 above), on account of income tax, tax on profit, or any other taxes of a similar nature imposed on Yeda by applicable law **("the withholding tax"),** the Company shall immediately notify Yeda in writing of such requirement and shall, subject to the provisions of clause 17.9.2 below, deduct withholding tax from the payments referred to above, as prescribed by applicable law, unless Yeda provides the Company with evidence of an exemption from withholding tax.

17.9.2. The Company shall make payment of the withholding tax (if any) deducted as aforesaid to the appropriate tax authorities within the period prescribed by applicable law and shall submit receipts or other documents issued by the tax authorities in favour of Yeda, evidencing such payment, to Yeda within 7 (seven) days of payment thereof.

17.10. The Company shall pay all stamp duty (if any) imposed in connection with this Agreement.

17.11. Each party agrees to execute, acknowledge and deliver such further documents and instruments and do any other acts, from time to time, as may be reasonably necessary, to effectuate the purposes of this Agreement.

17.12. None of the provisions of this Agreement shall be enforceable by, any person who is not a party to this Agreement.

17.13. The remedies afforded to any of the parties hereto, whether hereunder, or under applicable law or otherwise, shall be cumulative in nature and not alternative.

IN WITNESS WHEREOF the parties hereto have set their signatures as of the date first mentioned above.

for	**YEDA RESEARCH AND DEVELOPMENT COMPANY LIMITED**		for	**BRAINSWAY, INC.**
By:			By:	
	Isaac Shariv	Prof. Haim Garty		
Title:	C.E.O	CHAIRMAN	Title:	

APPENDIX A
(the Research Program)

Transcranial Magnetic Stimulation for the Treatment of Depressive Disorders and Addiction

Abraham Zangen PhD
Dept. Neurobiology, Weizmann Institute of Science
Rehovot Israel 76100

Scientific goals

The main goal of my research is the study of mechanisms by which the brain controls mood and motivation. In addition to the basic importance of understanding the neuronal processes that mediate reward and motivation, such knowledge is essential for the development of better treatments for mood disorders (manly depressive disorders) and for treating drug addiction, both of which are major problems in our society, It is not trivial to gather valuable scientific information in this field, since, on the one hand, the tools and approaches available for performing human brain research are very limited, while on the other hand, the interpretation of animal or in vitro data related to emotional issues is also limited. Nevertheless, some greet advances have bean achieved in clinical and basic research by the development of new tools for animal and human brain research.

In order to permit non-invasive stimulation of brain regions that are related to the brain reward system, I ve started to develop a special magnetic coiI (that was patented by the NIH during my post-doctoral research fellowship there) for the transcranial magnetic stimulation (TMS) of deep brain regions The advantage of this device is its ability to induce electric fields in deep brain regions that are thought to be involved in both depression and drug addiction, while previous devices could only stimulate cortical brain regions.

Description of the subject

Depression is a very common psychiatric disorder. In any given 1-year period, 9.5 percent of the population in industrialized countries suffer from a depressive illness (1-3). The usual episode of depression last 4-12 months and is characterized by inability to express pleasure (anhedonia) and by general loss of interest. Some of the following symptoms may also occur: disturbed sleep, altered appetite, loss of energy, decreased sex drive restlessness, unjustified feelings of guilt and thoughts about dying and suicide (1,2). Our understanding of depression has been revolutionized by the introduction of two classes of antidepressants: the tricyclic anti depresants and the monoamine oxidase inhibitors, The introduction of these antidepressants demonstrated that depression can be treated medically and that it most likely results from a chemical imbalance of the brain.

This chemical imbalance may cause dysfunction of brain reward mechanisms (4-7) and may be the reason that certain depressed individuals seek substance abuse (4,8). Interestingly, epidemiological and clinical data indicate high comorbidity between depression and drug dependence, including nicotine addiction (8). Although depressive disorders and drug abuse are different problems in society, they both relate to the pathology related to the brain reward system. Better understanding of the brain reward circuitry would lead to the development of better therapeutic approaches to both depression and substance abuse.

Basic research in Depression

Every year, new antidepressant drugs are introduced to the public. Since the tricyclic antidepressants and monoamine oxidase inhibitors were discovered half a century ago, and in most cases displaced the traditional electroconvulsive therapy (ECT), the research on antidepressant mode of action have led to the discovery of target proteins like the monoamine transporters and serotonergic receptors and to the development of serotonin-selective reuptake inhibitors (SSRIs) and norepinephrine-selective reuptake inhibitors that are in wide use today. However, a significant amount of depressed patients (30-40%) do not respond well even to the modern type of antidepressant drugs [9,10]. Moreover, even after a successful treatment of a major depressive episode, the likelihood of another occurrence is 50% and increases to 80% after the second episode [11]. Nearly one quarter of patients are never fully free of symptoms, even while maintaining antidepressant therapy [12]. Another critical problem in antidepressant therapy is the slow onset of effect. Typically, 2-6 weeks of treatment are required with most antidepressant drugs before the effects of the drugs are felt, while some recently developed drugs are effective after only 1-2 weeks. However, despite these advances, the delay in the onset of the therapeutic action of antidepressants continues to plague drug therapy of this disorder. Not only is the suffering of patients prolonged after commencement of treatment, but they also remain at great risk of suicide. Moreover, since adverse effects are frequently at their worst during the initial phases of treatment, compliance is often additionally hampered by the delayed onset of symptom relief [13].

Magnetic stimulation of deep brain regions

Electroconvulsive therapy (ECT) is perhaps the most effective treatment for depression, with response rate of 80% in some samples [14]. However, it is not widely used due to the adverse side effects associated with this therapy. Although ECT has been used for almost a century for treating depressive disorders, the mechanism of its action is not clear, as the etiology of depression has not yet been defined. One reasonable hypothesis is that such repetitive treatment, which strongly stimulates the whole brain, also affects the brain reward circuitry (including the prefrontal cortex, nucleus accumbens, ventral tegmental area and other limbic structures), thereby inducing long-term neuroadaptations that normalize the activity of this circuitry.

A more recent approach that allows stimulation of relatively focal cortical regions non-invasively is transcranial magnetic stimulation (TMS). The stimulation is induced by passing a high alternating current through a magnetic coil, which is placed over the scalp. Due to several technical limitations it is not possible to create a coil for stimulating a specific region in a rat brain without affecting the surrounding regions, but it is possible to stimulate a relatively focal region in the human brain. Repetitive TMS (rTMS) over the prefrontal cortex was recently shown to be effective as a treatment for major depression in several studies [15] and in some cases, as effective as ECT [16]. Moreover, some neurochemical alterations induced by TMS are similar to those induced by ECT [17]. Nevertheless, the efficacy of TMS as a treatment for depressive disorders is still controversial [18]. As standard coils are only able to stimulate cortical regions (which are relatively close to the scalp), the therapeutic efficacy of such stimulation have thus far been limited to the TMS effect on superficial levels of the prefrontal cortex. Since recent studies indicate that the nucleus accumbens and other deep brain region have major roles in reward circuitries and in depressive behavior (4-8), we have developed a new coil for direct stimulating of such deep brain regions and the neuronal pathways connecting the VTA or the nucleus accumbens with the prefrontal cortex [19]. These neuronal pathways were shown to be activated in conjunction with craving for abused drugs and pathological conditions of these pathways seem to be associated with both depressive disorders and addiction [4-8, 20, 21]. Therefore, our new coil could potentially affect craving for drugs, and possibly even the general motivational status of humans. We also expect our new coil to become a new tool for the investigation and treatment of drug addiction. The NIH has patented the new coil (of which I am the first inventor; patent# PCT/US01/50737) and I have recently preformed the first clinical trial in healthy volunteers indicating that the new coil can indeed penetrate into much deeper brain regions. I plan to study the efficacy of our new coil in depressed patients and in patients suffering nicotine addiction.

Treating the acute withdrawal symptoms of various drug addictions has relatively good success. However, the majority of drug addicts relapse to abusing the drug after several months [22]. It has been hypothesized that the addictive behavior is, at least partly, the result of sensitization [23] to the behavioral and rewarding influences of the drug itself [58,59] and sensitization to the conditioned environmental cues that were associated with the drug taking [60]. The behavioral sensitization has been demonstrated in animal models of drug addiction [e.g. 61]. A gradual increase in the stimulant (locomotor) effect has been demonstrated during repeated administration of drugs of abuse including cocaine [e.g. 62], d-amphetamine [e.g. 63] and morphine [e.g. 64]. In addition, repeated drug intake results in neuronal adaptations and synaptic plasticity [e.g.59] which, in theory, can lead to alterations in the behavior of the drug addict. In particular, it has been demonstrated that the ability of drugs of abuse to cause an up-regulation of the GluR1 subunit of AMPA glutamate receptors in the ventral tegmental area (VTA) is crucial for the development of sensitization [59]. This elevation can trigger other neural transduction events resulting in neuronal adaptations and synaptic plasticity resembling long term potentiation (LTP) cascade which eventually can influence the entire motive/reward circuit connectivity leading to behavioral sensitization and thus to addiction. There is considerable evidence that drug reward and electrical brain stimulation share overlapping motive/reward neuronal circuits and neurotransmission. Nevertheless, repeated exposure to stimulation of the medial forebrain bundle (MFB) selectively down-regulates the GluR1 subunit of AMPA glutamate receptors in the VTA [65]. This is opposite in effect to the up-regulation of GluR1 that is necessary for the development of sensitization to various drugs [59]. Therefore, it is hypothesized that treatment with repeated electrical stimulation to the motive/reward circuit during or after repeated drug administration could prevent or at least attenuate the up-regulation of GluR1 in the VTA, thus attenuating the neuronal adaptations which lead to behavioral sensitization and subsequently to addiction.

I propose that chronic treatment of the brain reward system, using our non-invasive coil for magnetic stimulation of deep brain regions, may become a new tool for treating various addictions.

Research Plan

I will first optimize the coil in order to maximize the induced electrical field in the nucleus accumbens and minimize the field in other brain regions. Then, Brainsway will perform clinical trials within clinical centers, such as Sheba Medical Center in Israel, in order to test the efficacy of the treatment and to search for optimal treatment conditions for depressive disorders and for nicotine addiction. The optimization of the coils and the interpretation of the clinical effects will be supported by functional MR1 studies in order to have a biological measure for the distribution of the activated brain tissue and the changes developed in patients after chronic treatment with TMS. The functional MRI sessions will take place either in the Sheba Medical center or in the Weizmann Institute, if same will be permitted when relevant. The clinical trial itself will take place in the Sheba Medical Center.

Optimization of TMS coils for deep brain regions

Standard TMS coils enable stimulation of cortical brain regions. In patent No. PCT/US01/50737 we (through the NIH) stated a theoretical framework for construction principles of new TMS coils enabling non-invasive activation of deep brain structures. The current research will include development of several TMS coils, designed for activation of specific deep brain structures which are known to play an important role in depressive disorders and addiction. The construction of the new TMS coils will meet several requirements simultaneously:

a. sufficiently high electric field intensity in the desired deep brain region, such that same will surpass the threshold for neuronal activation.

b. High percentage of electric field in the desired deep brain region relative to the maximal intensity in the cortex.

c. Minimal aversive side effects such as pain and activation of facial muscles.

The electric field distribution of each coil will be measured in air and in a phantom model of the brain containing saline water with physiological concentration. Three-dimensional maps of the electric field induced by each coil will be created in order to draw conclusions on which brain sites are expected to be activated for each coil design. Feedback from the clinical trials and from the functional MRI data will be taken into account for further optimization of the coil design. An optimized coil for the clinical trial in cigarette smokers will be designed.

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Appendix B
(the Research Budget)

A. EQUIPMENT, SUPPLIES & MATERIALS

Item	Requested sums (in $) 1st year	2nd year	3rd year
TMS stimulator service*	25,500	13,500	9,500
Phantom human brain	320		
Cables, electrodes, disposables	2,000	1,000	1,000
Total supplies, materials & services	27,820	14,500	10,500

* The stimulator will be dedicated for the use of the present research.

B. MANPOWER

Name (last, first)	Role in project	% time devoted	Salaries (in $) lst year	2nd year	3rd year
Zangen Abraham	PI/1	25			

C. MISCELLANEOUS

	Requested sums (in $) 1st year	2nd year	3rd year
Professional literature	250	250	
Publication charges in scientific journals	0	1,000	1,000
Communication services	500	500	500
Photocopies	250	250	250
Total miscellaneous	1,000	2,000	1,750
Functional MRI service**	TBD	TBD	TBD

** At this point it is not clear whether Functional MRI for this study will be performed in the Weizmann Institute. If permitted by the Weizmann Institute, the fee for using the fMRI service will apply and shall be agreed upon by the parties.

Ref.: 05-2595-05-6 No.: 65002

Total:

	1st year	2nd year	3rd year
A+B+C	28,820	16,500	12,250
Overhead (27.5%)	10,951	6,270	4,655
Total	39,771	22,770	16,905

WEIZMANN INSTITUTE OF SCIENCE

APPENDIX C

Dear

Further to your request to receive (hereinafter "the Material") from (hereinafter "the Scientist") for the purpose of (hereinafter "the Research"), please be advised that all rights and title in and to the Material and any derivatives, progeny or fragment thereof, vest in the Weizmann Institute of Science (hereinafter "the Institute") and these have been exclusively licensed to a commercial entity (hereinafter "the Licensee"). Thus the Institute requires that the Material be provided to you under the following terms:

1. The Material is provided for non-commercial research purposes only. Neither the Material nor any results accrued using the Material shall be used in or for any commercial purposes.

2. The Material shall be kept in your strict possession and you further agree not to transfer the Material to other people, except to those who are under your direct supervision and who have previously accepted the terms of this Agreement.

3. You agree to use reasonable efforts to treat in confidence any information related to the Material, except for information you can prove was previously known to you or that is or becomes publicly available without any breach of this agreement by yourself or any person on your behalf. Any proposed disclosure of such Confidential Information shall be presented for the Scientist's approval, at least 30 (thirty) days prior to the proposed disclosure, and no disclosure shall be made until, and to the extent that, the Scientist's approval is granted to you in writing.

4. You agree to provide the undersigned with the results of the Research.

5. In all oral or written publication concerning the use of the Material, an appropriate acknowledgment of the Scientist's contribution shall be made, unless requested otherwise by the Scientist in advance and in writing.

6. (a) You acknowledge that the Material, being research samples, has not been fully investigated and consequently is supplied for the Research entirely at the user's risk and is provided to you with no warranties, express or implied, and no representation is made that the use of the Material will not infringe any patent or proprietary rights of third parties.

Ref: 05-2595-05-7 No.: 65003-001

(b) Neither the Institute nor its scientists nor the Licensee will be liable for loss or damage arising from use of the Material by you or anyone obtaining it from you, or anyone on your behalf. In accepting the Material, you irrevocably assume upon yourself all risks associated with the use of the Material (whether such risk is to yourself and to any others). The Licensee, the Institute and its scientists will not be liable to Recipient for any loss, claim or demand made by Recipient for any loss, claim or demands made against Recipient by other parties, or incurred by Recipient, due to Recipient's use of the Material. No indemnification is provided or intended to be provided hereunder.

Please indicate your acceptance of these terms by signing and returning one copy of this letter to the undersigned.

Sincerely yours,

Dr. Abraham Zangen

Agreed and accepted:

Recipient Scientist Name: _____

Signature: _____

Date: _____

Recipient Institution Seal/Stamp _____

Authorized Person's Name and Title: _____

Signature and Date: _____

cc: Yeda Research and Development Co. Ltd. at the Weizmann Institute of Science.

Exhibit 10.11

FIRST ADDENDUM AGREEMENT

Dated: August 19, 2007

BY AND BETWEEN

YEDA RESEARCH AND DEVELOPMENT COMPANY LTD.

of P.O. Box 95, Rehovot 76100, Israel

(hereinafter "Yeda")

and

BRAINSWAY, INC.

a company duly registered under the laws of the state of Delaware, U.S.A

(hereinafter "the Company")

WHEREAS Yeda and the Company are parties to a Licence Agreement dated 2 June 2005 (the "**Agreement")**; and

WHEREAS The Research Period defined under the Agreement commenced on 2 June 2005 and is scheduled to end on 1 June 2008; and

WHEREAS without derogating from the Research Period and Budget, the parties wish to commence an additional research plan and budget for a period commencing on 1 June 2007 and ending on 31 May 2008 (the **"Additional Research"** and the **"Additional Research Period"**, respectively);

NOW THEREFORE IT IS AGREED BY THE PARTIES HERETO AS FOLLOWS:

1. Terms and phrases included in this First Addendum Agreement **("this Addendum")** which are defined in the Agreement shall have the same meaning attributed to them in the Agreement unless otherwise defined in this Addendum.

2. This Addendum and the Agreement shall be read as one and shall represent the complete current understanding between the parties with respect to the subject matter hereof. Subject to the modifications contained herein, the provisions of the Agreement shall remain unaltered and in full force and effect.

Ref.: 09-2595-07-20 No.: 87823-004
L/88017/4430/745250/1

BRAINSWAY INC.

3. All appendices attached hereto shall form an integral part of this Addendum.

4. The Research Program attached to the Agreement as Appendix A thereto shall be supplemented by the research program for the Additional Research attached hereto as **Appendix A.**

5. The Budget for the Additional Research, attached hereto as **Appendix B,** in the total amount of US$50,000 +VAT, will be paid to Yeda in 2 (two) equal instalments of US$25,000 + VAT each. The first instalment will be paid to Yeda upon the date of signature of this Addendum, and the second instalment on 1/12/2007 (i.e., at the end of the first half of the Additional Research Period). The payments shall be made by cheque. Yeda shall issue a VAT invoice in respect of the amounts actually paid by the Company pursuant to this clause 5, promptly after the receipt of each payment by Yeda.

6. The parties acknowledge that in the course of the Research, the Scientist, together with other scientists, has arrived at a joint invention relating to transcranial magnetic stimulation **("the Invention")** all as more fully described in the patent applications filed in relation thereto (as described in Appendix C hereto) **("the Existing Patent Applications")** and that, for the avoidance of doubt, the Invention falls within the Licensed Information and the Existing Patent Applications fall within the Patents.

7. Notwithstanding the date of signature hereof, this Addendum shall be in full effect as of 1 June 2007.

IN WITNESS WHEREOF THE PARTIES HERETO HAVE SET THEIR SIGNATURES.

Prof. Mudi Sheves **Chairman** **YEDA RESEARCH AND DEVELOPMENT COMPANY LTD.**	C.E.O.	**BRA1NSWAY, INC.**

BRAINSWAY INC.

APPENDIX A

Research Program for Additional Research Period

Investigation of theta burst stimulation in preclinical models of major depression: Development of a novel antidepressant intervention

Brief description of the project and the scientific and technological background

The World Health Organization (WHO) reports that major depressive illness is the leading cause of disability and estimates that in 2020 depression will reach the 2nd position among major contributors to the global burden of disease. An estimated 5.8% of men and 9.5% of women will experience a depressive episode in any given year and depression is associated with increased mortality including suicide and profoundly affects the quality of life, productivity, the autonomy and social integration of patients. While the therapeutic armamentarium developed over the past few decades has transformed the treatment of major depressive disorder, treatment-resistant depression remains a fundamental clinical problem, with up to 30% of patients not even partially responding and low percentages remitting with antidepressant treatment (Keller et al 1992; Rush and Thase 1997). Moreover, in randomized controlled trials of nonresistant, uncomplicated major depressive disorder, only 50-60% respond to an antidepressant medication, and of this group, only 2/3 (or 35% of the initial group) attain remission. The need to frequently augment or switch treatment is recognized (Thase and Rush 1997). Therefore treating therapy-resistant depression and preventing chronic depressive conditions constitute major clinical issues. These have generated tremendous interest not only, in novel principles of pharmacological treatment, but also in novel non-pharmacological approaches such as repetitive transcranial magnetic stimulation (rTMS) and vagus nerve stimulation (VNS).

To date, preclinical and clinical evidence have been accumulated supporting the antidepressant action of rTMS of the prefrontal cortex (PFC) in treatment-resistant depression (Gershon et al 2003). About 25 small placebo-controlled clinical studies have been published, mainly investigating rTMS as add-on treatment in therapy-resistant depression. Three meta-analyses confirmed a significant antidepressant effect of two weeks high frequency rTMS treatment compared to placebo rTMS (Burt et al 2002; Martin et al 2003). However, effect sizes have been modest to moderate and the clinical significance of its therapeutic effects is questionable. Very recently, data of two large multicenter trials have been presented (O'Reardon et al 2006; Herwig et al 2006). In the U.S. multicenter trial a significant antidepressant effect superior to placebo has been reported in medication-free and treatment-resistant patients. However, the response and remission rates for active vs. placebo rTMS were 24% vs. 15% and 17.5% vs. 8%, respectively (O'Reardon et al 2006), i.e. much lower than reported for electroconvulsive therapy (ECT): 40 to 72 % (Burt et al 2002). The second multicenter trial unfortunately failed to show a significant difference between active and sham rTMS adjunctive to antidepressant medication (Herwig et al 2006).

PN

BRAINSWAY INC.

Among others two main reasons for the modest clinical effectiveness of rTMS in previous trials can be discussed: 1) Concerns over safety have limited human studies to relatively low frequencies of stimulation (usually ≤20 Hz) (Wassermann 1998), whereas animal studies often use much higher frequencies such as the theta burst paradigms (3-5 pulses at 100 Hz repeated at 5 Hz) in order to induce long-lasting alterations in localized brain connectivity such as long-term potentiation (LTP) or depression (LTD) (Larson and Lynch 1986; Huemmeke et al 2002), 2) The depth of direct stimulation by standard rTMS coils (usually figure-8) is limited to regions at the cortex surface (Nadeem et al 2003; Zangen et al 2005) and compared to ECT standard rTMS may not be effective enough in therapeutically modulating regional brain activity altered in deeper lateral and medial regions of the PFC in depression (Drevets 2001; Mayberg et al 2005).

We have recently developed a novel coil that allows stimulation of deep brain regions directly (Roth et al. 2002) and proved its ability to stimulate deep brain regions (Zangen et al. 2005) with minimal side effects (Levkovitz et al. 2006). This coil can even induce short-lasting positive cognitive effects in healthy volunteers (Levkovitz et al. 2006). In addition, a new stimulation paradigm, i.e. theta burst (TB) rTMS mimicking TB protocols used in animal models for inducing long-term potentiation (LTP) or long-term depression (LTD), has been reported exhibiting more robust and stable effects on cortical excitability compared to standard rTMS protocols. Both recent achievements, deep rTMS and TB rTMS, represent promising avenues for optimizing the efficacy of rTMS as therapeutic intervention.

However, the efficacy of such novel rTMS approaches as a treatment for depressive disorders has still to be evaluated. It is not known what would be the optimal brain region to stimulate as well as the optimal stimulation parameters for achieving the best (and fastest) therapeutic effect with least side effects. These issues, as well as the neurochemical effects of such electromagnetic stimulation can be addressed, at least in part, by investigation of behavioral and neurochemical outcome induced by repeated electrical stimulation of specific brain regions in animal models of depressive behavior, using similar parameters as those used for TMS. Such investigation is necessary to facilitate the establishment of rTMS as a potential alternative treatment for depression and may be relevant for other non-pharmacological approaches such as DBS (Mayberg et al. 2005). It is not possible to induce localized stimulation with TMS in rats as the minimal size of coils that can produce an effective field, stimulates a very large portion of the rat brain. Therefore, in order to learn which brain region should be targeted and what the optimal stimulation parameters in animal models are, it is necessary to insert electrodes into specific brain regions and study the effect of repeated sub-convulsive electrical stimulation treatment. The goal of the preclinical track of the proposed project is to further investigate the antidepressant effects of repeated sub-convulsive electrical stimulation of PFC regions as well as other reward-related brain regions.

Objectives and expected significance of the research

Objectives

The main objective of this preclinical development using animal model for depressive behavior is to develop a more effective antidepressant intervention compared to standard rTMS, using the TB stimulation. The major hypotheses tested in this project is that prefrontal deep TB stimulation is safe and exerts a higher short-term efficacy in treating depressive behavior compared to standard repeated 20Hz stimulation.

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The need for this project now and expected significance of the research

According to critical meta-analyses and the results of recent multicenter-trials the effectiveness of rTMS in depression remains modest compared to ECT which is still the most effective antidepressant intervention to date. At this stage, current research should not only investigate the standard rTMS protocols, but also focus on developing more powerful novel rTMS approaches in order to increase the antidepressant efficacy of rTMS. Very recently, major achievements in developing rTMS methodology have been made: 1) Theta burst (TB) rTMS (e.g. 3 pulses at 50 Hz repeated at 5 Hz) mimicking TB protocols used in animal models in order to induce LTP/LTD-like effects and 2) novel stimulation coils, termed H-coils, for deep rTMS (Zangen et al 2005). TB rTMS has been recently applied over the primary motor cortex in humans and reported to induce more robust and stable effects on cortical excitability in comparison with standard rTMS (Huang et al 2005). In addition, a newly developed deep rTMS system, which allows direct stimulation of over 5 cm in depth from the cortex surface (while standard TMS is limited to depth of 1-2 cm) was recently tested for its safety in healthy subjects (Zangen et al 2005; Levkovitz et al 2006). The basic concept of H-coils is that the rapid decrease in the electric field as a function of distance from the coil can be minimized by inducing summation of several coil elements carrying a current in a common direction and by minimizing any radial components of the coil (Roth et al 2002; Zangen et al 2005). These advances made in rTMS methodology are very promising and should now be tested for their application in clinical treatment protocols. Moreover, the combination of both deep rTMS and theta burst stimulation may allow to directly stimulate deeper prefrontal areas at comparably lower intensities and may exert more robust and stable effects on neurobiological and clinical measures. Thus, the proposed project will further develop these approaches in preclinical models.

Comprehensive description of the methods and plan of operation

The widely used rat model for depressive behavior induced by chronic mild stress (CMS) is established in the lab at the Weizmann Institute since 2004. Several behavioral paradigms are used to evaluate model behaviors of motivation and anhedonia. In our setup, CMS induces anhedonia-like behavior as observed in a sucrose preference test and in sexual behavior testing and reduced exploration of novel environments. Our preliminary results indicate that repeated sub-convulsive electrical stimulation (SCES) of deep, but not superficial layers of the prefrontal cortex (10 daily sessions, 50 x 5 sec trains of 20 Hz, intertrain interval 20 sec) induces partial normalization of the behavioral deficit in CMS animals. These parameters are similar to those used with rTMS, however pulse duration is 0.2 msec (vs. 0.2-0.4 msec in TMS) and intensity is set at 400 µA. Sham control groups undergo the same surgical procedures and are connected to the stimulation cables daily without activation. In the first year we will expand this study and replicate these results in additional groups of animals. We will measure neurochemical alterations induced by our stimulation protocol in the hippocampus and reward-related brain sites. These will include measurements of brain-derived neurotrophic factor (BDNF) levels as well as monoamine release measured by microdialysis (Zangen et al 2001). BDNF levels in the hippocampus are upregulated by ECT and standard antidepressant drugs and associated with brain plasticity necessary for long-term behavioral changes. BDNF levels in the hippocampus are decreased in depressed subjects and upregulated by chronic antidepressant treatment in both humans and animal models. We found reduced BDNF levels in the hippocampus of CMS animals and partial normalization of BDNF levels by ECT or SCES treatment of the ventral PFC of CMS animals. By the end of the first year, we will start with the evaluation of TB stimulation. TB stimulation will be applied to superficial and deep layers of different PFC regions for 10 days. Two established TB protocols (continuous and intermittent TB) (Huang et al 2005) and new upcoming protocols will be compared regarding their action on behavioral and biochemical measurements. Eight different groups of animals (n=10 / group) will undergo surgery and be tested as described above, without additional control (non-CMS) groups. The effect of continues vs. intermittent TB protocols will be tested in different groups implanted with electrodes in either the dorsal or the ventral PFC.

Methods: Rats (n=10 /group) will be implanted under anesthesia with a monopolar stimulating electrode into either the dorsal or the ventral PFC. Four groups of rats (sham and real stimulation for each brain site) will undergo the CMS protocol and another four groups will serve as non-CMS controls to evaluate behavioral and neurochemical profiles for control animals and the effect of stimulation. Stimulation will be preformed as described previously (Zangen and Shalev 2003). SCES treatment will be applied for 10 days with 50 trains/day, 5 sec trains of 0.2 msec, 20 sec intertrain interval, 1 or 20 Hz rectangular cathodal pulses of either 0 (sham), or 400 µA. The behavioral measurements will include the swim test using our modified protocol and analysis tool (Gersner et al 2005), the two bottle choice test for anhedonia-like behavior, an automatic exploration test using an Actimot system (TSE, Germany), and an automatic baseline locomotion test over 7 days within the home cages using 16 InfraMot units (TSE, Germany). We will also test the effect of electrical stimulation on learning and spatial memory using the Morris Maze test.

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After the behavioral battery will be completed, animals will be sacrificed, brains will be removed and neurochemical alterations in specific brain regions will be measured. BDNF levels will be measured by ELISA in hippocampal homogenates. In different groups of animals, the acute effects of stimulation protocols on monoamine release in the nucleus accumbens will be measured using in vivo microdialysis (Zangen et al 2001; Zangen and Hyodo 2002). These behavioral and neurochemical measurements as well as the CMS model and SCES are already established in the lab.

Project schedule

Research task	Beginning month	Beginning Year	End month	End Year
Testing the behavioral effects of stimulation at 20Hz in sub–regions of the PFC in the CMS model as compared to shams and to normal controls	6	2007	12	2007
Testing neurochemical effects of stimulation at 20Hz in sub–regions of the PFC in the CMS model as compared to shams and to normal controls	9	2007	3	2008
Testing the behavioral effects of continues and intermittent TB stimulation in sub-regions of the PFC in the CMS model as compared to shams	10	2007	12	2007
Testing the behavioral effects of continues and intermittent TB stimulation in sub-regions of the PFC in the CMS model as compared to shams	12	2007	5	2008

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APPENDIX B

Budget for Additional Research Period

(attached)

PN

BRAINSWAY INC.

Date

Company **Brainsway**
Principal Investigator **Prof. Zangen Abraham**
Research period **01/06/2007-31/05/2008**
Personnel

Name	Position	Total Annual Salary	% of Employment	Employment Term(months)	Project Cost
Sub Total					
Consumables, chemicals small equipment:					5,200
Animals					12,032
Computers					
Travel					
Fix equipment (please specify)					
Others (please specify)					
Tecnician (parcial)					9,000
Hr basis employees					10,000
Net Budget					36,232
WIS Overhead (27.5% of Total, 38% of Net)					13,768
Total Budget (Including Overhead)					50,000

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BRAINSWAY INC.

Appendix C

PATENT CARD

2005-117

Title: TRANSCRANIAL MAGNETIC STIMULATION SYSTEM AND METHODS

Inventors: ZANGEN Abraham, ROTH Yiftach, MIRANDA Pedro, HAZANI David, HALLETT Mark

Country	Application	Publication	Grant	Status
U.S.A	16/06/2005 -11/153,905	—	—	Pending
PATENT COOPERATION TREATY	15/06/2006 - PCT/IL2006/000694	21/12/2006 - WO/2006/134598	—	Published

Exhibit 10.12

SECOND ADDENDUM AGREEMENT
Dated: 18/1/2009

BY AND BETWEEN

YEDA RESEARCH AND DEVELOPMENT COMPANY LTD.
of P.O. Box 95, Rehovot 76100, Israel
(hereinafter "Yeda")

and
BRAINSWAY, INC.
a company duly registered under the laws of the state of Delaware, U.S.A
(hereinafter "the Company")

WHEREAS Yeda and the Company are parties to a Research and Licence Agreement dated 2 June 2005 (the **"R&L Agreement"**); and

WHEREAS The Research Period defined under the R&L Agreement commenced on 2 June 2005 and ended on 1 June 2008 (the **"Original Research"**); and

WHEREAS an Additional Research was performed in parallel with the Original Research, between 1 June 2007 and until 31 May 2008, pursuant to the First Addendum Agreement, signed between the parties on 19.08.07 (the **"First Addendum"** and the **"Parallel Research"**) ; and

WHEREAS the parties wish to extend the Parallel Research, in accordance with all terms and conditions set out herein below.

NOW THEREFORE IT IS AGREED BY THE PARTIES HERETO AS FOLLOWS:

1. Terms and phrases included in this Second Addendum Agreement **("this Addendum")** which are defined in the R&L Agreement or in the First Addendum shall have the same meaning attributed to them therein unless otherwise expressly defined in this Addendum.

BRAINSWAY INC.

Ref.: 09-2595-08-28 No.: 106296_001

2. This Addendum, the R&L Agreement and the First Addendum shall be read as one and shall represent the complete current understanding between the parties with respect to the subject matter hereof. Subject to the modifications contained herein, the provisions of the R&L Agreement and the First Addendum thereto shall remain unaltered and in full force and effect.

3. The above preamble and the appendices attached hereto forms an integral part of this Addendum.

4. The Parallel Research will be extended by an additional research period of 4 (four) months commencing on 20.12.08 and ending on 20.04.09 (the **"First Extension Period"**).

5. The research during the First Extension Period will be performed in accordance with the research plan, attached hereto as **Appendix A** (the **"First Extension Research Plan"**).

6. The budget for the First Extension Period will amount to US$ 16,606 (sixteen thousand, six hundred and six US Dollars), as more fully specified in **Appendix B** attached hereto (the **"First Extension Budget"**).

7. The First Extension Budget (plus VAT, as prescribed by law), will be paid to Yeda in 2 (two) equal instalments of US$ 8,303 (eight thousand, three hundred and three US Dollars) + VAT each. The first such instalment will be paid to Yeda upon the date of signature hereof, and the second such instalment will be paid to Yeda no later than 20/02/2009. Yeda shall issue an invoice in respect of each payment, as aforesaid, following its full receipt.

8. The updated list of Patents that are licensed to the Company under the R&L Agreement and pursuant to the First Addendum will be specified in a separate agreement.

BRAINSWAY INC.

9. Notwithstanding the date of signature hereof, this Addendum shall be effective retroactively, as of August 20, 2008.

10. For the avoidance of doubt, Yeda's rights in and to any results generated under the supervision of the Scientist, in the course of the performance of the Parallel Research at the Institute, including Yeda's rights in the research performed under the Scientist's supervision pursuant to this Second Addendum (according to the First Extension Research Plan), shall be subject to the License granted to the Company under the R&L Agreement, *mutatis mutandis.*

IN WITNESS WHEREOF THE PARTIES HERETO HAVE SET THEIR SIGNATURES.

Prof. Mudi Sheves **Chairman** **YEDA RESEARCH AND DEVELOPMENT COMPANY LTD.**	**C.E.O.**	**BRAINSWAY, INC.**

APPENDIX A
Research Program for Additional Research Period
Investigation of theta burst stimulation in preclinical models of major depression: Development of a novel antidepressant intervention

Brief description of the project and the scientific and technological background

The World Health Organization (WHO) reports that major depressive illness is the leading cause of disability and estimates that in 2020 depression will reach the 2nd position among major contributors to the global burden of disease. An estimated 5.8% of men and 9.5% of women will experience a depressive episode in any given year and depression is associated with increased mortality including suicide and profoundly affects the quality of life, productivity, the autonomy and social integration of patients. While the therapeutic armamentarium developed over the past few decades has transformed the treatment of major depressive disorder, treatment-resistant depression remains a fundamental clinical problem, with up to 30% of patients not even partially responding and low percentages remitting with antidepressant treatment (Keller et al 1992; Rush and Thase 1997). Moreover, in randomized controlled trials of nonresistant, uncomplicated major depressive disorder, only 50-60% respond to an antidepressant medication, and of this group, only 2/3 (or 35% of the initial group) attain remission. The need to frequently augment or switch treatment is recognized (Thase and Rush 1997). Therefore, treating therapy-resistant depression and preventing chronic depressive conditions constitute major clinical issues. These have generated tremendous interest not only in novel principles of pharmacological treatment, but also in novel non-pharmacological approaches such as repetitive transcranial magnetic stimulation (rTMS) and vagus nerve stimulation (VNS).

To date, preclinical and clinical evidence have been accumulated supporting the antidepressant action of rTMS of the prefrontal cortex (PFC) in treatment-resistant depression (Gershon et al 2003). About 25 small placebo-controlled clinical studies have been published, mainly investigating rTMS as add-on treatment in therapy-resistant depression. Three meta-analyses confirmed a significant antidepressant effect of two weeks high frequency rTMS treatment compared to placebo rTMS (Burt et al 2002; Martin et al 2003). However, effect sizes have been modest to moderate and the clinical significance of its therapeutic effects is questionable. Very recently, data of two large multicenter trials have been presented (O'Reardon et al 2006; Herwig et al 2006). In the U.S. multicenter trial a significant antidepressant effect superior to placebo has been reported in medication-free and treatment-resistant patients. However, the response and remission rates for active vs. placebo rTMS were 24% vs. 15% and 17.5% vs. 8%, respectively (O'Reardon et al 2006), i.e. much lower than reported for electroconvulsive therapy (ECT): 40 to 72 % (Burt et al 2002). The second multicenter trial unfortunately failed to show a significant difference between active and sham rTMS adjunctive to antidepressant medication (Herwig et al 2006).

Among others two main reasons for the modest clinical effectiveness of rTMS in previous trials can be discussed: 1) Concerns over safety have limited human studies to relatively low frequencies of stimulation (usually $\leq$20 Hz) (Wassermann 1998), whereas animal studies often use much higher frequencies such as the theta burst paradigms (3–5 pulses at 100 Hz repeated at 5 Hz) in order to induce long-lasting alterations in localized brain connectivity such as long-term potentiation (LTP) or depression (LTD) (Larson and Lynch 1986; Huemmeke et al 2002), 2) The depth of direct stimulation by standard rTMS coils (usually figure-8) is limited to regions at the cortex surface (Nadeem et al 2003; Zangen et al 2005) and compared to ECT standard rTMS may not be effective enough in therapeutically modulating regional brain activity altered in deeper lateral and medial regions of the PFC in depression (Drevets 2001; Mayberg et al 2005).

We have recently developed a novel coil that allows stimulation of deep brain regions directly (Roth et al. 2002) and proved its ability to stimulate deep brain regions (Zangen et al. 2005) with minimal side effects (Levkovitz et al. 2006). This coil can even induce short-lasting positive cognitive effects in healthy volunteers (Levkovitz et al. 2006). In addition, a new stimulation paradigm, i.e. theta burst (TB) rTMS mimicking TB protocols used in animal models for inducing long-term potentiation (LTP) or long-term depression (LTD), has been reported exhibiting more robust and stable effects on cortical excitability compared to standard rTMS protocols. Both recent achievements, deep rTMS and TB rTMS, represent promising avenues for optimizing the efficacy of rTMS as therapeutic intervention.

However, the efficacy of such novel rTMS approaches as a treatment for depressive disorders has still to be evaluated. It is not known what would be the optimal brain region to stimulate as well as the optimal stimulation parameters for achieving the best (and fastest) therapeutic effect with least side effects. These issues, as well as the neurochemical effects of such electromagnetic stimulation can be addressed, at least in part, by investigation of behavioral and neurochemical outcome induced by repeated electrical stimulation of specific brain regions in animal models of depressive behavior, using similar parameters as those used for TMS. Such investigation is necessary to facilitate the establishment of rTMS as a potential alternative treatment for depression and may be relevant for other non-pharmacological approaches such as DBS (Mayberg et al. 2005). It is not possible to induce localized stimulation with TMS in rats as the minimal size of coils that can produce an effective field, stimulates a very large portion of the rat brain. Therefore, in order to learn which brain region should be targeted and what the optimal stimulation parameters in animal models are, it is necessary to insert electrodes into specific brain regions and study the effect of repeated sub-convulsive electrical stimulation treatment. The goal of the preclinical track of the proposed project is to further investigate the antidepressant effects of repeated sub-convulsive electrical stimulation of PFC regions as well as other reward-related brain regions.

Objectives and expected significance of the research

Objectives

The main objective of this preclinical development using animal model for depressive behavior is to develop a more effective antidepressant intervention compared to standard rTMS, using the TB stimulation. The major hypotheses tested in this project is that prefrontal deep TB stimulation is safe and exerts a higher short-term efficacy in treating depressive behavior compared to standard repeated 20Hz stimulation.

The need for this project now and expected significance of the research

According to critical meta-analyses and the results of recent multicenter-trials the effectiveness of rTMS in depression remains modest compared to ECT which is still the most effective antidepressant intervention to date. At this stage, current research should not only investigate the standard rTMS protocols, but also focus on developing more powerful novel rTMS approaches in order to increase the

antidepressant efficacy of rTMS. Very recently, major achievements in developing rTMS methodology have been made: 1) Theta burst (TB) rTMS (e.g. 3 pulses at 50 Hz repeated at 5 Hz) mimicking TB protocols used in animal models in order to induce LTP/LTD-like effects and 2) novel stimulation coils, termed H-coils, for deep rTMS (Zangen et al 2005). TB rTMS has been recently applied over the primary motor cortex in humans and reported to induce more robust and stable effects on cortical excitability in comparison with standard rTMS (Huang et al 2005). In addition, a newly developed deep rTMS system, which allows direct stimulation of over 5 cm in depth from the cortex surface (while standard TMS is limited to depth of 1-2 cm) was recently tested for its safety in healthy subjects (Zangen et al 2005; Levkovitz et al 2006). The basic concept of H-coils is that the rapid decrease in the electric field as a function of distance from the coil can be minimized by inducing summation of several coil elements carrying a current in a common direction and by minimizing any radial components of the coil (Roth et al 2002; Zangen et al 2005). These advances made in rTMS methodology are very promising and should now be tested for their application in clinical treatment protocols. Moreover, the combination of both deep rTMS and theta burst stimulation may allow to directly stimulate deeper prefrontal areas at comparably lower intensities and may exert more robust and stable effects on neurobiological and clinical measures. Thus, the proposed project will further develop these approaches in preclinical models.

Comprehensive description of the methods and plan of operation

The widely used rat model for depressive behavior induced by chronic mild stress (CMS) is established in the lab at the Weizmann Institute since 2004. Several behavioral paradigms are used to evaluate model behaviors of motivation and anhedonia. In our setup, CMS induces anhedonia-like behavior as observed in a sucrose preference test and in sexual behavior testing and reduced exploration of novel environments. Our preliminary results indicate that repeated sub-convulsive electrical stimulation (SCES) of deep, but not superficial layers of the prefrontal cortex (10 daily sessions, 50 × 5 sec trains of 20 Hz, intertrain interval 20 sec) induces partial normalization of the behavioral deficit in CMS animals. These parameters are similar to those used with rTMS, however pulse duration is 0.2 msec (vs. 0.2-0.4 msec in TMS) and intensity is set at 400 µA. Sham control groups undergo the same surgical procedures and are connected to the stimulation cables

daily without activation. In the first year we will expand this study and replicate these results in additional groups of animals. We will measure neurochemical alterations induced by our stimulation protocol in the hippocampus and reward-related brain sites. These will include measurements of brain-derived neurotrophic factor (BDNF) levels as well as monoamine release measured by microdialysis (Zangen et al 2001). BDNF levels in the hippocampus are upregulated by ECT and standard antidepressant drugs and associated with brain plasticity necessary for long-term behavioral changes. BDNF levels in the hippocampus are decreased in depressed subjects and upregulated by chronic antidepressant treatment in both humans and animal models. We found reduced BDNF levels in the hippocampus of CMS animals and partial normalization of BDNF levels by ECT or SCES treatment of the ventral PFC of CMS animals. By the end of the first year, we will start with the evaluation of TB stimulation. TB stimulation will be applied to superficial and deep layers of different PFC regions for 10 days. Two established TB protocols (continuous and intermittent TB) (Huang et al 2005) and new upcoming protocols will be compared regarding their action on behavioral and biochemical measurements. Eight different groups of animals (n=10 /group) will undergo surgery and be tested as described above, without additional control (non-CMS) groups. The effect of continues vs. intermittent TB protocols will be tested in different groups implanted with electrodes in either the dorsal or the ventral PFC.

Methods: Rats (n=10 /group) will be implanted under anesthesia with a monopolar stimulating electrode into either the dorsal or the ventral PFC. Four groups of rats (sham and real stimulation for each brain site) will undergo the CMS protocol and another four groups will serve as non-CMS controls to evaluate behavioral and neurochemical profiles for control animals and the effect of stimulation. Stimulation will be preformed as described previously (Zangen and Shalev 2003). SCES treatment will be applied for 10 days with 50 trains/day, 5 sec trains of 0.2 msec, 20 sec intertrain interval, 1 or 20 Hz rectangular cathodal pulses of either 0 (sham), or 400 μA. The behavioral measurements will include the swim test using our modified protocol and analysis tool (Gersner et al 2005), the two bottle choice test for anhedonia-like behavior, an automatic exploration test using an Actimot system (TSE, Germany), and an automatic baseline locomotion test over 7 days within the home cages using 16 InfraMot units (TSE, Germany). We will also test the effect of electrical stimulation on learning and spatial memory using the Morris Maze test.

After the behavioral battery will be completed, animals will be sacrificed, brains will be removed and neurochemical alterations in specific brain regions will be measured. BDNF levels will be measured by ELISA in hippocampal homogenates. In different groups of animals, the acute effects of stimulation protocols on monoamine release in the nucleus accumbens will be measured using in vivo microdialysis (Zangen et al 2001; Zangen and Hyodo 2002). These behavioral and neurochemical measurements as well as the CMS model and SCES are already established in the lab.

Project schedule

Research task	Beginning month	Beginning Year	End month	End Year
Testing the behavioral effects of stimulation at 20Hz in sub-regions of the PFC in the CMS model as compared to shams and to normal controls	6	2007	12	2007
Testing neurochemical effects of stimulation at 20Hz in sub-regions of the PFC in the CMS model as compared to shams and to normal controls	9	2007	3	2009
Testing the behavioral effects of continues and intermittent TB stimulation in sub-regions of the PFC in the CMS model as compared to shams	10	2007	12	2007
Testing the neurochemical effects of continues and intermittent TB stimulation in sub-regions of the PFC in the CMS model as compared to shams	12	2007	5	2009

APPENDIX B

The First Extension Budget (attached)

Date

Company **Brainsway**
Principal Investigator **Dr. Abraham Zangen**
Research period **4 months 20.12.08 - 20.04.09**
Personnel

Name	Position	Total Annual Salary $	% of Employment	Employment Term(months)	Project Cost $
	Hour bases employee	22,000	100%	4	7,333
					—
					—
					—
					—
					—
					—
					—
—					—
					—
					—
Sub Total					7,333
Consumables, chemicals, small equipment					1,200
Animals					3,500
Computers					
Travel					
Fix equipment (please specify)					
Others (please specify)					
Net Budget					12,033
WIS Overhead (27.5% of Total, 38% of Net)					4,573
Total Budget (Including Overhead)					16,606

BRAINSWAY INC.

Exhibit 10.13

THIRD ADDENDUM AGREEMENT
Dated: March 23, 2010

BY AND BETWEEN

YEDA RESEARCH AND DEVELOPMENT COMPANY LTD.
of P.O. Box 95, Rehovot 76100, Israel
(hereinafter "Yeda")

and
BRAINSWAY. INC.
a company duly registered under the laws of the state of Delaware, U.S.A
(hereinafter "the Company")

WHEREAS Yeda and the Company are parties to a Research and Licence Agreement dated 2 June 2005 (the **"R&L Agreement"**); and

WHEREAS The Research defined under the R&L Agreement was extended by two Research extensions, pursuant to the First Addendum Agreement dated: August 19, 2007 and the Second Addendum Agreement, dated: March 5, 2009 (collectively, the **"Extensions"**); and

WHEREAS the parties wish to define in this Third Addendum Agreement **("this Agreement")** the terms and conditions which shall apply (as between the parties) to the two inventions jointly developed by the parties (*inter alia*), and to set out certain provisions regarding royalties to be payable in respect of a particular Product, all as set out herein below.

NOW THEREFORE IT IS AGREED BY THE PARTIES HERETO AS FOLLOWS:

1. Terms and phrases used in this Agreement which are defined in the R&L Agreement shall have in this Agreement the same meaning as that attributed to them in the R&L Agreement, unless otherwise expressly defined in this Agreement.

2. This Agreement, the R&L Agreement and the Extensions shall be read as one and shall represent the complete current understanding between the parties with respect to the subject matter hereof. Subject to the modifications contained herein and in the Extensions, the provisions of the R&L Agreement shall remain unaltered and in full force and effect.

L/88017/4000/1328773/1 Act: 110904_007
09-2595-09-35

BRAINSWAY INC.

3. The above preamble and the appendices attached hereto form an integral part of this Agreement.

The 2005 Patent

4. The parties hereby acknowledge and declare as follows:

   a. To the best of the parties' knowledge, the right and title to PCT patent application, publication number WO/2006/134598, entitled: **"TRANSCRANIAL MAGNETIC STIMULATION SYSTEM AND METHOD"** and any corresponding patent application and in any patents granted in respect of any of the foregoing patent applications (Yeda's Ref. 2005-117, as more fully specified in **Appendix A** hereto, hereinafter, collectively: the **"2005 Patent")** vests in its three co-owners, as follows:

      i. Yeda (which ownership rights are derived from the inventorship interest of the Scientist); and
      ii. The Company (which ownership rights are derived from the inventorship interest of its employees: Dr. Yiftach Roth and Mr. David Hazani and from the inventorship interest of Prof. Pedro C. Miranda of the university of Lisbon, which according to the Company's representation was assigned to the Company in a Deed of Assignment signed by Prof. Miranda on September 14, 2005); and
      iii. the NIH (which ownership rights are derived from the inventorship interest of its employee, Mr. Mark Hallett).

   b. The Company hereby represents that by virtue of a certain amendment agreement signed between the Company and the NIH on October 4, 2008 **("the NIH Amendment")**, in which the NIH granted to the Company an exclusive license in and to the NIH's rights under the 2005 Patent — the NIH has also granted its consent to include the 2005 Patent in the License granted by Yeda to the Company. Subject to the aforesaid, it is hereby agreed (as between Yeda and the Company) that Yeda's rights in the 2005 Patent shall be part of the Licensed Information under the R&L Agreement and as such licensed to the Company under the Licence. In consideration for the aforesaid, the Company undertakes and agrees that:

BRAINSWAY INC.

i. it shall pay Yeda royalties and/or sublicensing receipts in respect of its commercial use of the 2005 Patent, as if the 2005 Patent were one of the Patents included in the Licensed Information under the Licence, in accordance with clause 9 to the R&L Agreement but subject (where applicable) to the provisions of clause 6 below.

ii. The terms "Patent" or "Patents", wherever used in the R&L Agreement, including in the definitions of "License", "Products", "Sublicence" and "Sublicencee", shall be deemed to include the 2005 Patent. In addition, in clauses 7, 10.1, 10.2, 13.1.1 and 13.2.2 , "Patent" or "Patents", wherever used, shall be deemed to include the 2005 Patent; and iii. any sublicence, assignment or transfer of the Company's rights in the 2005 Patent to any third party shall be subject to all provisions included in the R&L Agreement in respect of a Sublicence and/or an assignment and/or transfer of any Patent as more fully specified therein and *mutatis mutandis.*

iii. without derogating from any other remedy or relief granted to Yeda under the R&L Agreement or by law, the Company hereby undertakes, that in any case of a material breach by the Company of its aforementioned obligations (specified in this sub-section (b) above) that is not cured by the Company within the notice period set forth in Section 13.3 of the R&L Agreement — it shall immediately, upon first written demand from Yeda, assign to Yeda all of its rights and title in the 2005 Patent, and in such event, all provisions of clauses 5(b) and 5(c) below, shall apply to the Company's rights and title in the 2005 Patent, *mutatis mutandis.*

iv. Yeda agrees that, notwithstanding the provisions of Section 6.1 of the R&L Agreement the Company shall prosecute and maintain the 2005 Patent, provided that the Company shall consult with Yeda and keep Yeda informed of any development in regard thereof and instruct its outside patent counsel to copy Yeda on all correspondence related thereto. The Company represents that a similar understanding in this regard was reached with the NIH within the NIH Amendment. It is also agreed, between Yeda and the Company, that Yeda shall not bear any costs, fees or expenses in respect of the prosecution and/or maintenance of the 2005 Patent.

BRAINSWAY INC.

The 2008 Patent

5. The Parties hereby acknowledge, agree and declare as follows:

a. All right and title to the invention entitled: **"SYSTEM AND METHODS FOR CONTROLLING ELECTRIC FIELD PULSE PARAMETERS USING TRANSCRANIAL MAGNETIC STIMULATION"** (Yeda's Ref. 2008-128) that was invented by the Scientist (Prof. Abraham Zangen of the Institute), *together with* Dr. Yiftach Roth, Mr. Vadim Chudnovsky, Mr. Noach Safra and Mr. David Hazani — all employees of the Company, pursuant to the Scientist's consultancy services for the Company, under the Consultancy Agreement signed by the Scientist and the Company on April 1st, 2009, and any patent application filed in respect thereof, or any patent ensuing therefrom (as more fully specified in **Appendix B** hereto, hereinafter, collectively, the **"2008 Patent"**) shall vest exclusively in Yeda and shall be deemed to be included as a Patent under the R&L Agreement and shall be licensed to the Company as one of the Patents, as defined in the R&L Agreement and subject to all terms and conditions thereof, provided that all obligations of the Company, as specified in sub-sections (b) and (c) below, are fully met.

b. The Company undertakes that forthwith upon Yeda's request, all rights derived from the Company's employees' inventorship interest in the 2008 Patent shall be assigned and transferred to Yeda, at the Company's expense, and the Company and/or its employees shall reasonably cooperate with Yeda and/or its representatives with regard to the preparation and prosecution of patent applications relating thereto, including by signing all documents which Yeda and/or its representative shall reasonably request them to sign, from time to time, for the said purpose.

c. The Company acknowledges that all patent applications, as of the date of this Third Addendum Agreement, in respect of the 2008 Patent shall be filed in the name of Yeda, except in cases where Yeda deems it necessary that the patent applications be filed in the name of the inventors, and then assigned to Yeda. Where a patent application has been filed in the name of the inventors, the Company undertakes to fully cooperate with Yeda and its representatives, at their request, and obligate its employees to sign any document reasonably required for effecting the assignment to Yeda. Patent applications in respect of the 2008 Patent already filed prior to the date hereof, which have not been filed in the name of Yeda as a sole owner, shall be assigned to Yeda.

BRAINSWAY INC.

d. The 2008 Patent shall be subject to all provisions of the R&L Agreement, and, *inter alia*, to the provisions of clause 6 ("PATENTS; PATENT INFRINGMENT") thereof. However, notwithstanding the provisions of clause 6.1 of the R&L Agreement, it is hereby agreed that the outside patent counsel to be retained by Yeda for the preparation, filing and prosecution of the 2008 Patent, shall be the patent counsel administrating the patent-portfolio of the Company. However, if Yeda shall have an objection to the identity of a certain patent counsel (based on reasonable grounds), then, the parties shall consult each other in good faith, and the matter shall be mutually decided.

Product Royalties

6. The parties acknowledge that the Deep TMS system for treatment of depression, currently undergoing clinical trials, as more particularly described in clause 6.6 of the Company's prospectus dated 26 February 2009 and in section 1 of the table in clause 6.13.4.1 therein (a copy of the relevant sections of the prospectus being attached herein as **Appendix C**) (**"the Current Product"**), falls within the scope of "Products", as such term is defined in the R&L Agreement, and that the provisions of the R&L Agreement accordingly apply thereto. The provisions of clause 9.1.2 of the R&L Agreement notwithstanding, it is however agreed that the Company shall pay Yeda in respect of the Current Product as follows (and not, for the avoidance of doubt, as set forth in clause 9.1.2 of the R&L Agreement):

   a. a royalty of 1% (one percent) of Net Sales of Current Products by or on behalf of the Company or any Sublicensees; and

   b. a one-time sum of US $50,000 (fifty thousand United States Dollars) immediately following the achievement by the Company of Net Sales of all Products (not only the Current Product) of an aggregate cumulative amount of US $10,000,000 (ten million United States Dollars).

BRAINSWAY INC.

For the avoidance of doubt, any upgrade, improvement, or development of the Current Product (including, without limitation, the inclusion of the Multi Channel device, or the use of the Time Summation system, both as more fully described in clause 6.7 of the Company's prospectus attached as Appendix C hereto) (that is not the Current Product) which will utilize, or which is based on (in whole or in part), or involves the use of, or is otherwise covered (in whole or in part) by, or falls within the scope of any claim under any Patent, including the 2005 Patent and/or the 2008 Patent, shall be subject to the provisions of the R&L Agreement, and the provisions of this clause 6 (other than this paragraph) shall not apply thereto and if the Current Product is not a U.S. DHHS Patent Protected Product, the royalties due in respect of Net Sales of Current Products incorporating any such upgrades, improvements or developments pursuant to the R&L Agreement shall be the royalties due in respect of Products which are not U.S. DHHS Patent Protected Products.

For the avoidance of any further doubt, the provisions of this Section 6 shall not apply to any Product which is not the Current Product, as herein defined.

General

7. For the avoidance of doubt, this Third Addendum Agreement constitutes the entire agreement between the parties hereto in respect of the subject-matter hereof, and supersedes all prior agreements or understandings between the parties relating to the subject-matter hereof (including, any previous correspondence in this regard, between the parties, or on their behalf) and may be amended only by a written document signed by both parties hereto.

8. For the avoidance of doubt, Yeda agrees, based on and subject to the accuracy of the representations and documents received from the Company, that the agreement dated June 16, 2009 entered into between the Company and ATID SRL, an Italian entity, for the marketing and promotion of the Current Product, a copy of which was provided to Yeda on October 11th, 2009 (**"the ATID Agreement"**) is not a Sublicence under the terms of and as defined in clause 1.2.11 of the R&L Agreement (as amended). For the avoidance of doubt, the parties agree that all payments that are received by the Company pursuant to the ATID Agreement in respect of the Current Product, including the "Acclimatization Period Monthly Fee" described in clause 5.2 thereof, and including amounts received by the Company pursuant to the ATID Agreement in respect of products ancillary to the Current Product, such as (but not limited to) electromagnetic stimulators which the Company may provide the client (at the client's request) and biocompatible caps will be considered as Net Sales of Products (if the Deep TMS device is not a U.S. DHHS Patent Protected Product, of Products which are not U.S. DHHS Patent Protected Products) on which royalties will be due to Yeda pursuant to the R&L Agreement (as amended), provided only that amounts received by the Company in respect of electromagnetic stimulators ancillary to the Current Product which are bought by the Company off-the-shelf from an independent third party and resold or leased to customers shall (up to a maximum of US$40,000 per each unit of the Current Product) not be so included.

BRAINSWAY INC.

IN, WITNESS WHEREOF THE PARTIES HERETO HAVE SET THEIR SIGNATURES.

Prof. Mudi Sheves
Chairman
YEDA RESEARCH AND
DEVELOPMENT COMPANY LTD.

Amir Naiberg
C.E.O.

BRAINSWAY, INC.

BRAINSWAY INC.

BRAINSWAY INC.

APPENDIX A

Patent Card 2005-117
PATENT CARD

2005-117

Title: TRANSCRANIAL MAGNETIC STIMULATION SYSTEM AND METHODS

Inventors: ZANGEN Abraham, ROTH Yiftach, MIRANDA Pedro, HAZANI David, HALLETT Mark

Country	Application	Publication	Grant	Status
U.S.A	16/06/2005-11/153,905	21/12/2006 — 2006-0287566	—	Pending
Patent Cooperation Treaty	15/06/2006 — PCT/IL2006/000694	21/12/2006 — WO/2006/134598	—	Published
Australia	15/06/2006-2006257210	—	—	Pending
Canada	15/06/2006-2,610,991	—	—	Pending
European Patent Office	15/06/2006-06756220.7	27/02/2008 — 1 890 762	—	Pending
Hong Kong	26/08/2008 - 08109499.9	—	—	Pending
Israel	15/06/2006-187698	—	—	Pending
Japan	15/06/2006-2008-516502	04/12/2008 — 2008-543416	—	Pending

BRAINSWAY INC.

APPENDIX B

Patent Card 2008-128
PATENT CARD

2008-128

Title: SYSTEM AND METHODS FOR CONTROLLING ELECTRIC FIELD PULSE PARAMETERS USING TRANSCRANIAL MAGNETIC STIMULATION

Inventors: ROTH Yiftach, ZANGEN Abraham, CHUDNOVSKY Vadim, SAFRA Noach, HAZANI David

Country	Application	Publication	Grant	Status
U.S.A	11/12/2008-12/332,459	—	—	Pending
Patent Cooperation Treaty	11/12/2009 - PCT/IB2009/055704	Pending		

BRAINSWAY INC.

Appendix C

Copy of clauses 6.6. and 6.13.4.1 to the Company's Prospectus

6.6 The Deep TMS Device Developed by the Company

6.6.1 The device developed by the Company, is designed for a non-intrusive treatment for common brain function disorders. The device is based on a unique structured electric coil, in it runs an electric current which varies rapidly, creating an electric field through which one can affect different areas in the depth of the brain by stimulation or repression of the nerves, depending on the operating frequency (Deep Transcranial Magnetic Stimulation) (Deep TMS).

The device developed by the Company is composed of an electric current provider which creates a rapidly varying electric current (stimulator), controlled by a computer. The electric current provider is an existing medical device, used for different medical purposes, and is an off-the-shelf-product being purchased by the Company. The electric current provider is connected to a special helmet containing the unique structured electric coil developed by the company (H-Coil). The Company has developed a number of coils having a different structure, all of which are based on the Company's unique technology. For each disorder or disease the Company has developed a uniquely configured coil designed to affect the relevant neuronal structures related to that specific disorder or disease, based on Company's technology (H-Coil).

The unique structure of the coils developed by the Company creates an electric field which affects the depth of the brain, using interference (summation) of multiple small electric fields with the same direction. The coil simultaneously creates electric fields which are mostly parallel to the cranium and thereby increasing the penetration capability into the depth of the brain and the efficiency in the area chosen by the therapist. Unlike the existing surface TMS device, which creates an electromagnetic field which fades dramatically already at a depth of 2 cm, the Company's developed Deep TMS device creates a magnetic field with a slower and more graduated fading rate, and thereby it is capable of affecting up to 6.5-7 cm within the depth of the brain in a manner that enables affecting and stimulation of almost every region of the human brain.

The capability to affect large ranges does not derive from the increase in the intensity of the coil's electric current or electric field, but from the coil's unique design, which enables a direct impact of the device on those deep areas of the brain which are responsible for causing the disorder or disease (like depression), as opposed to an indirect effect through a chain reaction.

The treatment is conducted by attaching the helmet, which contains the coil, to the patient's head. In the beginning of the treatment, the therapist activates the device for the purpose of providing a few pulses in order to determine the personal motor stimulation threshold typical for that specific patient.

After determining the forgoing threshold, the helmet is placed in the area suitable for the treatment. During the treatment, which is approximately 15-20 minutes length, the device is activated about 20 to 40 times for periods of approximately two seconds. The treatment is given for a period of about 4 weeks consecutively. It is possible to operate the device in different frequencies according to the therapist's discretion. An electromagnetic field which operates at a frequency of less than 1 hertz suppresses the activity in the treated area of the brain by slowing down the interaction between the neurons inside the brain. A magnetic field which operates at a frequency of 10 hertz and over has a stimulating influence upon cells' activities.

Such treatment is not dependent upon a patient's anesthetization and does not cause more than minor discomfort, such that during the treatment a patient can engage in different activities such as reading a book or watching television. Based on trials conducted by the Company, there were no significant side-effects to the patients, except for some minor headaches which lapsed within a short time, up to a few hours after the treatment, and also two incidents of short seizures which are a known side-effect.

Moreover, the device includes an integral cooling system. Since the coil and the electric current provider tend to heat as a result of the electric current passing through them in high frequency, a cooling system is needed in order to prevent any damage to the device. In most of the existing TMS devices there is no cooling system, and therefore the therapist must keep a block of dry-ice nearby and every now and then dip the coil in the ice for cooling, in a way that prevents a relatively long sequence of treatments. In the device developed by the Company, the cooling system is integral, keeping a relatively low temperature throughout the treatment, and thereby preventing damage to the system and discomfort for the patient.

6.6.2. Based on the foregoing technology, in 2003 the Company developed a prototype of the device. All of the clinical trials conducted by the Company are being performed by this prototype. The device includes a cart on which the stimulator, cooling system and controlling computer are assembled. Attached to the cart is an adjustable arm with the helmet and coil. The helmet is attached with a cable to the stimulator and with a tube to the cooling system.

6.6.3. The configuration, development and manufacturing of the device are performed by a subcontractor, while the stimulator and computer, which are off-the-shelf products, are bought and assembled by the Company. The Company has commercial usage rights in the device's configuration that is designed for the Company.

The Company estimates, that a serial production of the device, assuming all development and clinical trials succeed and the device will be licensed, will be performed by subcontractors, while the stimulator will be bought by the Company from an outside source or will be manufactured by self-production. For details about the development of the Multi-Channel device please see section 6.7 of the prospectus.

6.13.4 Royalties

6.13.4.1 The following are details about the royalties' rates, which to the Company's knowledge, Brainsway Inc. shall be required to pay for revenues derived from the application of the patents:

	Product	PHS	Yeda	Chief Scientist	Other Inventor
1.	Product based on first patent	3% of the sales — up to sales in the amount of US$10,000,000; 2% of the sales - from sales volume exceeding US$10,000,000. For details please see Section 6.13.2.6.	1.5% of the sales — up to sales in the amount of US$10,000,000; 1% of the sales - from sales volume exceeding US$10,000,000. For details please see section 6.13.3.6.	—	—
2.	Product based only on second patent	2% of the sales — up to sales in the amount of US$10,000,000; 1% of the sales — from sales volume exceeding US$10,000,000. For details please see section 6.13.2.6.	3% of sales — up to sales in the amount of US$10,000,000; 2% of sales — from sales volume exceeding US$10,000,000. For details please see section 6.13.3.6.	3% for the first 3 years beginning on the commencement of the sales, 4% starting on the beginning of the fourth year and until the end of sixth year, 5% starting on the beginning of seventh year until reaching an aggregated amount equals to the grant plus interest*.	0.045% from net sales of the company.
3.	Product based on both the first and the second patents	3% of the sales — up to sales in the amount of US$10,000,000; 2% of sales — from sales volume exceeding US$10,000,000. For details please see section 6.13.2.6.	1.5% of sales — up to sales in the amount of US$10,000,000; 1% of sales — from sales volume exceeding US$10,000,000. For details please see section 6.13.3.6.	3% for the first 3 years beginning on the commencement of the sales, 4% starting on the beginning of fourth year until the end of the sixth year, 5% starting on the beginning of seventh year until reaching an aggregated amount equals to the grant plus interest*.	—

* If the Company will receive an approval from the Office of the Chief Scientist for the production of the products based on the US patents, the Company will be obliged to increase the rate of the royalties as stated in the Research and Development Law and the regulations promulgated thereunder.

Exhibit 10.14

FOURTH ADDENDUM AGREEMENT
Dated: 11.12. 2009

BY AND BETWEEN

YEDA RESEARCH AND DEVELOPMENT COMPANY LTD.
of P.O. Box 95, Rehovot 76100, Israel
(hereinafter "Yeda")

and
BRAINSWAY, INC.
a company duly registered under the laws of the state of Delaware, U.S.A
(hereinafter "the Company")

WHEREAS Yeda and the Company are parties to a Research and Licence Agreement dated 2 June 2005 (the **"R&L Agreement"**); and

WHEREAS The Research Period defined under the R&L Agreement commenced on 2 June 2005 and ended on 1 June 2008 (the **"Original Research"**); and

WHEREAS an Additional Research was performed in parallel with the Original Research, between 1 June 2007 and until 31 May 2008, pursuant to the First Addendum Agreement, dated: 19.08.07 (the **"First Addendum"** and the **"Parallel Research"**, respectively); and

WHEREAS the Parallel Research was extended by the First Extension Period, which commenced on 12 December, 2008 and ended on 20 April, 2009, under the Second Addendum Agreement, dated: 5 March, 2009 (the **"Second Addendum"** and the **"First Extension"**, respectively); and

WHEREAS concurrently with this Fourth Addendum Agreement (**"this Addendum"**), the parties intend to enter into a Third Addendum Agreement which sets forth several understandings in regard to *(inter alia) the "2005 Patent", the "2008 Patent" and the "Current Product" (all as defined and more fully specified therein) (the **"Third Addendum"**); and*

Ref.: 09-2595-09-37 No.: 114395_003

WHEREAS the parties wish to further extend the Parallel Research (which extended the Research that was defined under the R&L Agreement and forms a part thereof), by an additional research period of one year, under the research plan and budget specified herein, and under all terms and conditions set out herein below.

NOW THEREFORE IT IS AGREED BY THE PARTIES HERETO AS FOLLOWS:

1. Terms and phrases included in this Addendum which are defined in the R&L Agreement, as amended shall have the same meaning attributed to them therein unless otherwise expressly defined in this Addendum.

2. This Addendum and the R&L Agreement as amended shall be read as one and shall represent the complete current understanding between the parties with respect to the subject matter hereof. Subject to the modifications contained herein, the provisions of the R&L Agreement, as amended shall remain unaltered and in full force and effect.

3. The above preamble and the appendices attached hereto form an integral part of this Addendum.

4. The Research will be extended by an additional research period of one (1) year commencing on 1 August, 2009 and ending on 31 July, 2010 (the **"Second Extension Period"**).

5. The research during the Second Extension Period will be performed in accordance with the research plan, attached hereto as **Appendix A2** (the **"Second Extension Research Plan"**).

6. The budget for the Second Extension Period will amount to US$39,330 (thirty nine thousand, three hundred and thirty US Dollars), as more fully specified in **Appendix B2** attached hereto (the **"Second Extension Budget"**).

BRAINSWAY INC.

7. The Second Extension Budget (plus VAT, as prescribed by law), will be paid to Yeda in 4 (four) tri-monthly equal instalments (US$9,832.50 +VAT, each), at the beginning of each three-month period commencing upon the date of signature hereof. Yeda shall issue an invoice in respect of each payment, as aforesaid, following its full receipt.

8. The updated list of Patents that are licensed to the Company under the R&L Agreement and pursuant to the First Addendum is discussed in the Third Addendum and shall not be referred to herein.

9. Notwithstanding the date of signature hereof, this Addendum shall be effective retroactively, as of 1 August, 2009.

10. For the avoidance of doubt, all Results generated under the Second Extension Research Plan shall vest in Yeda, in accordance with the provisions of the R&L Agreement in respect of the Research, and Yeda's rights in and to any Results generated in the course of the performance of the Second Extension Research Plan, shall be subject to the License granted to the Company under the R&L Agreement, as amended, *mutatis mutandis.*

IN WITNESS WHEREOF THE PARTIES HERETO HAVE SET THEIR SIGNATURES.

BRAINSWAY INC.

BRAINSWAY, INC.

BRAINSWAY INC.

APPENDIX A

High and low frequency brain stimulation effects on BDNF and AMPAR levels in specific brain regions of awake and anaesthetized animals.

Introduction

In recent years brain stimulation has been receiving increasing attention as an alternative therapy for psychiatric disorders, especially in treatment resistant patients. These neurostimulation methods include repetitive transcranial magnetic stimulation (rTMS), magnetic seizure therapy (MST), vagus nerve stimulation (VNS), deep brain stimulation (DBS) and transcranial direct current stimulation (tDCS). All of these methods show some efficacy in disorder treatment but they vary in their degree of invasiveness.

rTMS applies magnetic pulses to the brain, induces an intracranial electric field and leads to modifications of cortical excitability. Such changes have been shown to outlast the stimulation period. Recently it has been proposed that long term effects are exerted by alterations in neuroplasticity. In addition, changes in transcranial magnetic stimulation frequency and patterns have been shown to result in different long-term effects. Low-frequency (about 1 Hz) rTMS usually leads to a reduction of synaptic efficiency - a long-term depression (LTD) like effect, while high-frequency stimulation (about 10-20 Hz) results in increased synaptic efficiency - a long-term potentiation (LTP) like effect.

Both BDNF and glutamatergic transmission has been shown to conelate to LTP and LTD-like effect, making them possible markers for measuring changes in synaptic consolidation and efficacy following treatment. In addition, recent literature suggests that brain activity during stimulation influences the stimulation outcome.

Therefore, in the present study we aim to test whether the effect of brain stimulation on BDNF and most ubiquitous glutamate receptor (AMPAR) levels differs depending on the animal's state. We will test the alterations in those molecular markers in reward-related brain regions following both high-frequency and low-frequency TMS. In addition, the influence of TMS on BDNF and AMPAR expression will be tested in different animal state (anaesthetized, awake, and after chronic-stress induced depressive behavior) during stimulation. The present research may advance the understanding of the molecular mechanism of TMS and its long term effects on psychiatric and neurological disorders.

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Research plan

On first stage, the animals will be randomly divided into treatment groups. The animals for stimulation during anesthesia will be divided into low-frequency, high-frequency and sham stimulation groups. The animals subjected for stimulation during wakefulness will be divided into low-frequency active and sham, high-frequency active and sham. The minimal number of experimental animals to reveal significant effect is 10 animals per group, so 70 animals in total will be needed.

Following appropriate TMS treatment, all animals will be sacrificed and we will measure 2 molecular factors in reward-related brain regions: BDNF by ELISA and GluRl by western blot.

In this experiment we will test the effects of stimulation frequency on synaptic plasticity and will compare the those effects between awake or anaesthetized rats during stimulation.

Methods

Animals

Male Sprague-Dawley rats (60 days old at experiment initiation) will be maintained under a 12 h/12 h light dark cycle (lights on at 7 a.m.) with food and water *ad libitum.* Rats were singly housed in Perspex cages (18x26x40 cm). Stimulations will be performed between 9 a.m. and 6 p.m. All animal experiments will be conducted according to the Institutional Animal Use and Care Committee guidelines, which are in complete accordance with the NIH guidelines for care and use of laboratory animals.

Transcranial magnetic stimulation (TMS)

TMS will be administered daily for 10 days with a circular magnetic coil (Brainsway, Israel) at 70 % of maximal output of a *Magstim Rapid2* stimulator (Magstim Company, UK). Each rat will be randomly chosen to be stimulated on either the left or right hemisphere. A total of 900 daily magnetic stimulation pulses will be applied to both high and low frequency stimulated groups. Each high-frequency daily stimulation consist of 9 cycles (trains) of 100 pulses during 5 seconds (20 Hz) followed by a 55 second pause. Each low-frequency daily stimulation consists of 1 pulse per second (1Hz) for 900 consecutive seconds. To properly control for possible differences in acute stress between low and high frequency stimulations in awake animals, there will be 2 awake sham groups. All sham animals will be treated similarly to treatment groups without applying the magnetic stimulation (same handling, anesthesia, movement restriction during stimulation by sham coil).

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Histology and tissue punches

To analyze regional levels of BDNF and GluRl, brains will be removed, frozen in isopropanol and stored at -80°C. Sections will be sliced using a cryostat at -20°C. Unilateral tissue punches (separately left and right) of prelimbic cortex (PLC), nucleus accumbens (NAC), striatum (Str), dorsal hippocampus (dHc), ventral hippocampus (vHc) and ventral tegmental area (VTA) will be extracted from ~1.5 mm coronal sections using a manual cutter, within the cryostat environment (at -20°C) as the anterior portion of the selected region of interest was identified.

Protein extraction

Protein extraction will be performed as described previously by Baker-Herman et al (1). Brain tissue samples will be weighed and homogenized in a cold extraction buffer (Tris-buffered saline, pH 8.0, with 1% NP-40,10% glycerol, 5mM sodium metavanadate, 10 mM PMSF, 100 µg/ml aprotinin and 10 µg/ml leupeptin). Homogenates will be acidified with 0.1 M HC1 (pH ~3.0), incubated at room temperature for 15 min, and neutralized with 0.1M NaOH (pH ~7.6). Homogenates will then be microfuged at 7000 g for 10 min, and supernatants will be assayed with ELISA staining,

ELISA

Sandwich ELISA will be carried out at room temperature using monoclonal mouse anti-human BDNF capture antibody (R&D systems, USA) at 2.0 µg/ml in PBS, as described previously (2). The capture antibody will be incubated overnight in 96-well flat-bottomed polystyrene plates (NUNC, Denmark). After incubation, the wells will be washed three times with a washing buffer (0.05% Tween 20 in PBS, pH 7.2-7.4). Then, 300 µl of a blocking buffer (1% BSA, 5% sucrose in PBS with 0.05% NaN_3) will be added to each well. After washing three times brain homogenized samples (200 µ1 per well) will be added in duplicate. Positive (BDNF) and negative (Reagent Diluent: 1% BSA in PBS pH 7.2-7.4,0.2 µm filtered) controls will be included. After incubation and washing, mouse anti-human BDNF (100 µl per well) detection antibody (R&D systems, USA) diluted at 2500 pg/ml in Reagent Diluent will be added, and the plates will be incubated. After three washes, streptavidin conjugated to horseradish peroxidase (HRP) (R&D systems, USA) diluted 1:200 in Reagent Diluent will be added (100 pl/well), and the plates will be incubated in darkness. After three more washes, substrate solution (Chemicon international, USA) (1:1 mixture of Color Reagent H_2O_2, and Color Reagent Tetramethylbenzidine) will be added (100 µl/well), the color then developed for 20 min in darkness, and the reaction will be stopped with 50 µl 2N H_2SO_4. The plates will be read at 450nm in a microplate reader (EL_X808, Bio, USA).

BRAINSWAY INC.

References

1. Baker-Herman TL, Fuller DD, Bavis RW, Zabka AG, Golder FJ, Doperalski NJ, et al. (2004) BDNF is necessary and sufficient for spinal respiratory plasticity following intermittent hypoxia. *Nat Neurosci* 7: 48-55.

2. Toth E, Gersner R, Wilf-Yarkoni A, Raizel H, Dar DE, Richter-Levin G, et al. (2008) Age-dependent effects of chronic stress on brain plasticity and depressive behavior. *J Neurochem* 107: 522-532.

BRAINSWAY INC.

APPENDIX B

The First Extension Budget (attached)

Date

Company **Brainsway**
Principal Investigator **Dr. Abraham Zangen**
Research period **One Year 01.08.09-01.08.10**
Personnel

Name	Position	Total Annual Salary	% of Employment	Employment Term(months)	Project Cost
	Hour bases employee	26,500	50%	12	13,250
					—
					—
					—
					—
					—
					—
					—
					—
Sub Total					13,250
Consumables, chemicals, small equipment					6,500
Animals					8,750
Computers					
Travel					
Fix equipment (please specify)					
Others (please specify)					
Net Budget					
WIS Overhead (27.5% of Total, 38% of Net)					
Total Budget (Including Overhead)					

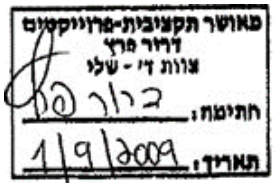

Exhibit 10.15

FIRST AMENDMENT TO
FOURTH ADDENDUM AGREEMENT

Between

YEDA RESEARCH AND DEVELOPMENT COMPANY LIMITED

a company duly registered under the laws of
Israel of PO Box 95, Rehovot 76100, Israel

(hereinafter, **"Yeda"**)

and

BRAINSWAY, INC.

a company duly registered under the laws of the state of Delaware, U.S.A

(hereinafter "the Company")

PREAMBLE:

WHEREAS Yeda and the Company are parties to a Research and Licence Agreement dated 2 June 2005 (the **"R&L Agreement"**), as was amended by 4 consequent Addendum Agreements; and

WHEREAS Yeda and the Company wish to amend the Fourth Addendum Agreement dated: 12 November, 2009 (the **"Fourth Addendum"**) by increasing the Second Extension Budget (as defined in the Fourth Addendum), as set forth below.

NOW THEREFORE IT IS AGREED BETWEEN THE PARTIES HERETO AS FOLLOWS:

1. Terms and phrases included in this First Amendment Agreement (**"this Agreement"**), defined in the R&L Agreement, as amended, shall have the same meaning attributed to them therein, unless otherwise is specifically defined herein.

Ref. :09-2595-10-44 No.: 120195

BRAINSWAY INC.

2. This Agreement and the R&L Agreement, as amended, shall be read as one and shall present the complete current understanding between the parties.

3. The preamble and the appendices attached hereto form an integral part of this Agreement.

4. The Second Extension Budget is hereby amended and increased by an additional $26,315 (Twenty six thousand three hundred and fifteen US Dollars), to the total and final sum of US$65,645 (Sixty five thousand six hundred and forty five US Dollars), as set out in **Appendix A** attached hereto.

5. The additional amount of $26,315 (Twenty six thousand three hundred and fifteen US Dollars) (plus VAT, as prescribed by law) shall be paid to Yeda in United States Dollars within 30 (thirty) days following the date of signature hereof.

6. All other terms of payment specified in the Fourth Addendum shall apply *mutatis mutandis.*

7. For the avoidance of doubt, the Second Extension Period and the Second Extension Research Plan (as defined in the Fourth Addendum) shall not be amended under this Agreement and shall not be referred to herein.

8. Subject to the modifications contained herein, the provisions of the R&L Agreement, as amended, shall remain unaltered and in full force and effect.

BRAINSWAY INC.

IN WITNESS WHEREOF the Parties hereto have set their signatures as of this 11th day of May, 2010.

YEDA RESEARCH AND DEVELOPMENT COMPANY LTD.		**BRAINSWAY, INC.**	
By:		By:	BRAINSWAY INC.
Title:		Title:	Uzi Sofer C.E.O.
By:	Prof. Mudi Sheves	By:	Amir Naiberg
Title:	Chairman	Title:	C.E.O.

Appendix A

The Service Budget

[Attached separately in Excel form]

Date

Company **Brainsway**
Principal Investigator **Dr. Abraham Zangen**
Research period **01.08.09 - 01.08.10**
Personnel

Name	Position	Total Annual Salary $	% of Employment	Employment Term(months)	Project Cost $
	Hour basis employees	50000	50%	12	25,000
					—
					—
					—
					—
					—
					—
					—
					—
					—
Sub Total					25,000
Consumables, chemicals small equipment:					7,500
Animals					15,069
Computers					
Travel					
Fix equipment (please specify)					
Others (please specify)					
Net Budget					47,569
WIS Overhead (27.5% of Total, 38% of Net)					18,076
Total Budget (Including Overhead)					65,645

BRAINSWAY INC.

Exhibit 10.16

FIFTH ADDENDUM AGREEMENT

("**this Addendum**")

Dated: February 22, 2018 ("**Effective Date**")

BY AND BETWEEN

YEDA RESEARCH AND DEVELOPMENT COMPANY LTD.
of P.O. Box 95, Rehovot 76100, Israel
(**hereinafter "Yeda"**)

and

BRAINSWAY, INC.
a company duly registered under the laws of the state of Delaware, U.S.A
(**hereinafter "the Company"**)

WHEREAS Yeda and the Company (collectively, "the Parties") are parties to a Research and License Agreement dated June 2, 2005, as amended by the First Addendum Agreement effective from June 1, 2007; the Second Addendum Agreement effective from August 20, 2008; the Third Addendum effective from March 23, 2010 ("**Third Addendum**"); the Fourth Addendum Agreement effective from August 1, 2009 (as amended by the First Amendment to the Fourth Addendum dated May 11, 2010) (all of the above, together, "**R&L Agreement**"); and

WHEREAS in the course of research conducted at the Institute, Prof. Elisha Moses of the Department of Physics of Complex Systems, together with other scientists of the Institute ("**rfTMS Inventors**") arrived at an invention ("**rfTMS Invention**") relating to Rotating Field Transcranial Magnetic Stimulation (rfTMS), as more fully described in PCT patent application number PCT/IL2010/000171 entitled "MAGNETIC CONFIGURATION AND TIMING SCHEME

FOR TRANSCRANIAL MAGNETIC STIMULATION" and corresponding patent applications and patents (Yeda reference number 2009-014), all as listed in the patent card attached as **Annex A(1)** hereto ("**rfTMS Patent**"), and created and/or generated the know-how and/or materials and other information relating to the rfTMS Invention as described in **Annex A(2)** hereto (the said know-how, materials and information, together with the rfTMS Invention, "**rfTMS IP**"); and

WHEREAS the Company wishes to conduct an internal evaluation as detailed below, following which the Company may elect, in the manner set forth below, to obtain a license to the rfTMS IP and rfTMS Patent, for the research, development, manufacture or sale of any therapeutic product, apparatus, or device within the field of transcranial magnetic stimulation, under the terms and conditions set out below; and

WHEREAS in connection with this evaluation, the Company wishes to provide funding, in the manner set forth below, which will include "Magneton" funding, with respect to a clinical study to be performed at Geha Mental Health Center, intended, *inter alia*, to gauge the efficacy of the rfTMS Invention,

NOW THEREFORE THE PARTIES HERETO AGREE AS FOLLOWS:

1. Terms and phrases included in this Addendum which are defined in the R&L Agreement shall have the same meaning attributed to them in the R&L Agreement, unless otherwise defined in this Addendum.

2. This Addendum and the R&L Agreement shall be read as one, and shall represent the complete, current understanding between the Parties with respect to the subject matter hereof. Subject to the modifications contained herein, all provisions of the R&L Agreement shall remain unaltered and in full force and effect.

3. The preamble and annexes hereto form an integral part of this

Addendum, and are incorporated herein by reference.

Clinical Study and Funding

4. Yeda will procure the conduct of a clinical study at Geha Mental Health Center in accordance with the work plan attached hereto as **Annex B** ("**Clinical Study**" and "**Work Plan**").

5. The Parties shall fund the Clinical Study as follows:

   5.1 The Company submitted a Magneton application to the Israel Innovation Authority ("**IIA**") in October 2017, to conduct the Clinical Study and Evaluation (as described in Section 10, below), a copy of which is attached hereto as **Annex C**, which was subsequently granted in December 2017. The Company shall remit to Yeda such portion of the Magneton Funding intended for Yeda, constituting 66% of the full budget for Yeda's activities, and the Company shall remit to Yeda the remaining 34% of the budget for Yeda's activities. The Company shall remit to Yeda the portion of the budget, as described above, for each respective year of the twenty-four (24) month Magneton period, on a quarterly basis in equal installments, within thirty (30) days of receipt of each quarterly installment; however in the event of the remittance by Magneton to the Company of advances of amounts greater than equal quarterly payments, then the Company shall remit amounts earlier to Yeda accordingly.

   5.2 The Company shall promptly provide Yeda with copies of all notices, reports, and other correspondence exchanged between Company and IIA with respect to the Magneton application and funded research.

6. Brainsway will provide assistance for the Clinical Study as detailed in the Work Plan.

7. If Prof. Elisha Moses of the Department of Physics of Complex Systems

shall cease to be available for the performance of the Clinical Study, such cessation shall not constitute a breach of this Agreement by Yeda. In such event, Yeda shall use its reasonable efforts to find, from amongst the scientists of the Institute, a replacement scientist acceptable to the Company, but gives no undertaking to find such a replacement. If no such acceptable replacement scientist can be found within sixty (60) days of the scientist becoming unavailable as aforesaid, then the Company shall be entitled, by written notice to Yeda, to terminate this Agreement, and in such case, termination shall become effective at the end of a further period of thirty (30) days from the date of receipt by Yeda of such written notice. In the event of such termination, Yeda shall be released from any obligation to procure the performance of the Clinical Study during the period after such effective date of termination, and the Company shall be released from any obligation to finance the Clinical Study, other than any related amounts due at the time of termination or any other non-cancellable costs and expenses.

8. It is hereby specifically agreed and acknowledged that Brainsway will not serve as a sponsor of the Clinical Study. The Company shall not be obligated to indemnify Yeda for liabilities resulting from injury to participants in the Clinical Study caused solely by the negligence or willful misconduct of Yeda and/or the rftMS inventors, in performance of the Clinical Study.

   Nothing in this Agreement shall constitute a representation or warranty by Yeda, express or implied, that the Clinical Study shall be performed or that any results will be achieved by the Clinical Study, and Yeda furthermore makes no warranties or representations, express or implied, whatsoever as to the Clinical Study.

9. The Company acknowledges that Yeda has no contract with Geha Mental Health Center with respect to any intellectual property rights which may arise from the Clinical Study, and further acknowledges that it is unlikely that new intellectual property or inventions will arise from the Clinical

Study. In the event that intellectual property or inventions will arise in connection with the Clinical Study, Yeda shall make commercially reasonable efforts to negotiate with Geha Mental Health Center as needed, in order to secure the rights to such intellectual property and inventions, to the extent necessary or desirable for the inclusion of the rfTMS IP and rfTMS Patent in the License, if the Company's Option (as defined in Section 13, below) is exercised, and Yeda makes no representation or guarantee in this regard**. Furthermore, to the extent there are any intellectual property claims or claims for royalties asserted or raised by Geha Mental Health Center which relate to or arise from the Clinical Study, Yeda shall cover any and all such claims up to the total aggregate amount of royalties received by Yeda from Brainsway under this Fifth Addendum.**

Evaluation of rfTMS IP

10. Yeda hereby grants the Company the right to conduct a limited evaluation ("**Evaluation**") of the rfTMS IP and the rfTMS Patent and any related know how generated or created in connection with the performance of the Clinical Study ("**Know How**") to determine the desirability of exercising the Company's Option. The Company's right to conduct the Evaluation shall expire on the earlier of (a) December 31, 2018, and (b) thirty (30) days following the achievement of all milestones described in Table 2 of Annex B ("**Evaluation Deadline**"). If actions described in Table 1 of Annex B are not fully performed by December 31, 2018, for reasons other than the Company's non-compliance or delay in performance of its obligations under the Work Plan, then the Evaluation Deadline shall be extended until the earlier of (y) the full performance of the actions described in Table 1 of Annex B, and (z) June 30, 2019; however the Parties may, subject to the discretion of each party in good faith, agree to further extend the Evaluation Deadline until those actions are fully performed (the "**rfTMS Extension Period**"). All dates are subject to requirements for Magneton funding.

Yeda grants the Company an exclusive, non-assignable, royalty-free license to all data, results, reports and other work product that may be obtained or generated in the course of performance of the Clinical Study (collectively: the "**Clinical Results**"), and will ensure that access to such Clinical Results is provided to Brainsway during the course of the Clinical Study, for the sole purpose of conducting the Evaluation, during the period commencing from the Effective Date of this Agreement and expiring sixty (60) days after the Evaluation Deadline or rfTMS Extension Period as applicable (the "**Option Period**"). Upon request, and with the context of such license, the Company will be provided with a copy of all Clinical Results and Know How, in confidence and upon becoming available.

Title: Option

11. All right and title to the rfTMS IP, rftMS Invention, rfTMS Patent, Know How, Clinical Results, and all patent applications and patents derived from the Clinical Results, if any, shall vest exclusively in Yeda.

12. Yeda grants the Company the exclusive right and option, exercisable by written notice during the Option Period, to amend the R&L Agreement in the manner set forth below (the "**Company's Option"**):

    The rfTMS IP, rftMS Invention, rfTMS Patent, Know How, Clinical Results, and all patent applications and patents derived from the Clinical Results ("**Additional Licensed Information**") shall be deemed included as Licensed Information and Patents, as the case may be, under the R&L Agreement. For the avoidance of doubt, during the Option Period, and thereafter if the Company's Option is indeed exercised, Brainsway shall be granted exclusive licensing rights with respect to the **Additional Licensed Information**. Yeda shall not be entitled to grant any licensing rights with respect thereto to any third parties, nor take any other steps for the commercialization thereof.

    a. any Clinical Results which constitute inventions or know-how,

which neither constitute nor refer to the results of the Evaluation of the rftMS Invention, shall not be licensed to the Company hereunder;

b. The License with respect to the Additional Licensed Information shall be limited to the use thereof for the research, development, manufacture or sale of any therapeutic, diagnostic, research or any other product, apparatus, or device solely within the field of transcranial magnetic stimulation;

c. The rfTMS Patent shall be subject to all provisions of the R&L Agreement, including, but not limited to, the provisions of clause 6 (PATENTS; PATENT INFRINGMENT) thereof; in addition, within thirty (30) days following the exercise by the Company of the Company's Option the Company shall reimburse Yeda the sum of one hundred thirty-four thousand seven hundred and fifty-five (US $134,755) US Dollars + VAT, constituting the aggregate costs and fees paid or incurred by Yeda prior to the Effective Date in connection with the rfTMS Patent, and as a condition for the inclusion of the Additional Licensed Information in the License under the R&L Agreement as aforesaid. For the avoidance of doubt, should the Company's Option not be exercised, Company will not be required to reimburse Yeda any of the amounts set forth in this paragraph whatsoever.

d. Any product based on, the development, manufacture or sale of which is based, in whole or in part, on, or involves the use of, the Additional Licensed Information or any part thereof, or is otherwise covered (in whole or in part) by, or falls within the scope of, or which are produced or manufactured using a process or method covered by, or falling within the scope of, any claim under the rfTMS Patent (including under any patent application falling within the definition of Patents) ("**rfTMS Product**"), shall be deemed a Product under the R&L Agreement, provided that the royalty rate applicable to Net Sales of rfTMS Products shall be subject to the

following:

i. for a rfTMS Product which, in addition to being a rfTMS Product as defined above, falls within the scope of, or which is produced or manufactured using a process or method covered by, or falling within the scope of, any claim under a Patent other than a rfTMS Patent (a "**Combined Product**") and which is not a U.S. DHHS Patent Protected Product, the royalty rate applicable under Section 9.1.2 of the Agreement and Section 6 of the Third Addendum shall be increased by an additional two (2%) percent;

ii. for a Combined Product which is also a U.S. DHHS Patent Protected Product, the royalty rate applicable under Section 9.1.2 and Section 6 of the Third Addendum of the Agreement shall be increased by an additional one point six (1.6%) percent; and

iii. for a rfTMS Product which is not a Combined Product, the royalty rate under Section 9.1.2 of the Agreement and Section 6 of the Third Addendum shall be the fixed amount of five (5%) percent.

e. The Company shall inform Yeda in writing of the First Commercial Sale in each country of an rfTMS Product, and, without derogating from clause 9.3.2.1 of the R&L Agreement, the Company shall include a breakdown of sales based on the type of each rfTMS Product in its reports under clause 9.3.2 of the R&L Agreement. In the event that rfTMS Products which constitute Products which were initially developed and/or sold as non-rfTMS Products, are thereafter used or converted into rfTMS Products, under the License granted under this Addendum ("**Upgraded Product**"), the Parties agree that:

i. the License term set out in clause 7.3 of the R&L Agreement shall be measured based on the First Commercial Sale of the Upgraded Product after it has

become an rfTMS Product, and not based on the First Commercial Sale of such Product prior to becoming an Upgraded Product, provided that, in the event the License term set out in clause 7.3 of the R&L Agreement applicable to such Upgraded Product would have otherwise expired had it not become an rfTMS Product as aforesaid (the "**First Expiration Date**"), then the royalty rate applicable to such Upgraded Product hereunder, beginning from the First Expiration Date until the end of the relevant License term for such Upgraded Product shall be the fixed rate of two (2%) percent; and

f. Upon exercise of the Company's Option, the Company shall implement the Development Program attached hereto as **Annex D** for the development of rfTMS Products (such Development Program called **"the rfTMS Development Program"**). The Company may periodically update the rfTMS Development Program, based on reasonable grounds to be communicated to Yeda in writing, subject to the Company's discretion and without derogating from the milestones set out therein ("**the rfTMS Milestones**"). The rfTMS Development Program shall be considered a Development Program under the R&L Agreement for all intents and purposes. The rfTMS Milestones set forth in **Annex D** hereto, which shall be deemed an integral part hereof, shall apply in connection with the rfTMS Products. Notwithstanding clause 13 of the R&L Agreement, if any of the aforesaid rfTMS Milestones in this clause 6 and **Annex D** has not been reached by the Company within the applicable time period, the Company shall have an additional period of six (6) months to cure and to reach the applicable rfTMS Milestone, provided that: (i) the aggregate amount of any and all of the above cure periods applied in order to postpone the final date for the achievement of the said rfTMS Milestones shall not exceed twelve (12) months (the "**Aggregate Delay**"), however for delays relating to the last

three (3) rfTMS Milestones caused by regulatory bodies such as the FDA (including applicable related rules and regulations), the Aggregate Delay will be extended to a total maximum delay of twenty-four (24) months; and (ii) the Company shall use reasonable commercial efforts to prevent and/or mitigate the duration of such delay, and that the Company has, as soon as reasonably practicable following such a delay, submitted an amended rfTMS Development Program to Yeda detailing how it reasonably intends to reach such rfTMS Milestone within the above-referenced cure period. If the Company does not cure and reach the applicable rfTMS Milestone(s) as described above, Yeda may (effective immediately), as a sole remedy available thereto, exclude the rfTMS IP and rfTMS Patent from the License.

13. During the Option Period, the Company shall reimburse Yeda, upon such frequency as determined by Yeda, for ongoing patent expenses incurred during such period in connection with the rfTMS Patent. During the Option Period, the Company shall, subject to the Company's consent, provided on a case-by-case basis, reimburse Yeda, upon such frequency as determined by Yeda, for patents based on the Clinical Study results, incurred and paid by Yeda at Yeda's discretion. Reimbursement shall be made against written proof of actual expenses borne by Yeda, and shall be made against invoices. However, Yeda shall be entitled to abandon any patent, or exclude it from the Option, in the event that the Company elects not to pay the costs of such patent.

14. If the Company does not exercise the Company's Option within the Option Period, or if the Company notifies Yeda in writing, at any time, that it does not intend to exercise the Company's Option and wishes to terminate this Addendum, this Addendum, and any corresponding right to add the Additional Licensed Information to the License, shall immediately terminate. The provisions of Sections 5.1, 16, and 17 hereof shall survive the termination of this Addendum. Termination of this Addendum shall not affect the validity of the R&L Agreement.

15. Each Party shall maintain confidential information (in writing or otherwise)

received from the other Party in connection with the Clinical Study, in strict confidence, and shall not use such information, except as required for the performance of the Clinical Study or as otherwise explicitly allowed by this Addendum. The provisions of the R&L Agreement relating to confidentiality shall be extended to apply to such confidential information. All publications relating to the Clinical Study shall be subject to the applicable provisions of the R&L Agreement.

16. The Work Plan may be amended only upon written consent of the Company and Yeda.

Additional Amendments; Clarifications

17. Sub clause 9.1.2.2(ii) of the R&L Agreement shall hereby be deleted in its entirety and replaced with the following:

"(ii) in the event that in any calendar year during the term of this Agreement commencing on the first day of January of the first calendar year following the date of expiry of the research (as extended, if extended, pursuant to the last sentence in clause 2.1 above), the total royalties payable by the Company to Yeda in respect of Net Sales of Products shall be less than six thousand (US $6,000) United States Dollars, the Company shall pay to Yeda, within thirty (30) days after the end of such calendar year, in addition to such royalties as aforesaid, the sum being the difference between six thousand (US $6,000) United States Dollars and such total royalties payable in such calendar year; and"

18. The rfTMS Inventors shall be considered "Scientists" under clauses 7.4.3, 10 and 12.1 of the R&L Agreement.

19. Unless set forth expressly herein, this Addendum is not intended to limit the scope of the License granted under the R&L Agreement that is not the subject matter of this Addendum.

20. The Company acknowledges that the rfTMS technology was developed, in whole or in part, utilizing funding from the "Kamin" program of the Israel Innovation Authority, and accordingly may be subject to restrictions on

overseas transfer, licensing and manufacture pursuant to the Encouragement of Research and Development Law of 1984 and the rules of the Israel Innovation Authority.

IN WITNESS WHEREOF, THE PARTIES HERETO HAVE SET THEIR SIGNATURES ON THE DATE FIRST MENTIONED ABOVE.

/s/ Gil Granot-Mayer	
/s/ Prof. Mudi Sheves	/s/ Yaacov Michlin
YEDA RESEARCH AND DEVELOPMENT COMPANY LTD.	**BRAINSWAY, INC.**

Annex A(1) - rfTMS Patent Card

PATENT CARD
2009-014

Title: MAGNETIC CONFIGURATION AND TIMING SCHEME FOR TRANSCRANIAL MAGNETIC STIMULATION

Inventors: MOSES Elisha, ROTEM Assaf

Country	Application	Publication	Grant	Status
U.S.A	02/03/2009 - 61/156,835	—	—	Expired
PCT	02/03/2010 - PCT/IL2010/000171	10/09/2010 - WO 2010/100643	—	Expired
European Patent Office	—	—	—	Pre-filing
European Patent Office	02/03/2010 - 10710911.8	18/01/2012 - 2 405 970	—	Allowed
France	02/03/2010 - 10710911.8	18/01/2012 - 2 405 970	—	Pre-filing
Germany	02/03/2010 - 10710911.8	18/01/2012 - 2 405 970	—	Pre-filing
Italy	02/03/2010 - 10710911.8	18/01/2012 - 2 405 970	—	Pre-filing
Spain	02/03/2010 - 10710911.8	18/01/2012 - 2 405 970	—	Pre-filing
United Kingdom	02/03/2010 - 10710911.8	18/01/2012 - 2 405 970	—	Pre-filing
Israel	02/03/2010 - 214905	—	214905 - 30/03/2017	Granted
Israel	02/03/2010 - 230414	—	230414 - 30/03/2017	Granted
Japan	02/03/2010 - 2011-552573	23/08/2012 - 2012-519050	5688380 - 30/01/2015	Granted
U.S.A	02/03/2010 - 13/254,361	01/03/2012 - 2012-0053449	9,067,052 - 30/06/2015	Granted
U.S.A	02/03/2010 - 14/714,368	03/09/2015 - US-2015-0246238-A1	—	Allowed

Annex A(2) - rfTMS Know-How

In general:

The forces applied by magnetic pulses of magnitudes necessary for TMS are stretching the limit of material strength of the coils. This poses limits on achievable fields under safety restrictions. In addition, trial and error with magnetic coils is undesirable as it is often causes irreversible damage to the coil, often resulting in loss of valuable time and funding and in increased safety issues during R&D. Any know-how technology that can relieve this limitation fully or in part will improve the development process and the final performance of a TMS system. We possess such knowledge at multiple phases of system development:

Design:

Correct **mutual** Inductance between the two coils is crucial for controlling the forces within and between coils, as well as the resulting pulses waveforms. We have computed and measured the mutual inductance of many different configurations of double coils, and therefore have the knowledge and experience to predict a-priori which configuration can be successful and which may fail.

Fabrication:

After having fabricated numerous coils in-house we have the experience and knowledge of material choice and fabrication processes for magnetic coils that can safely withstand high fields (up to 10T) and the resulting forces. The possible angles that can be acceptable between the two coils are limited, and we have some experience with this.

Operation:

The waveforms and the resulting forces of magnetic pulses in the double coil are very sensitive to the triggering configuration used. After experimenting with numerous such temporal configurations we have the experience and knowledge to predict a-priori which configuration can be successful and which may fail. The issue of the third dimension is particularly important, since we rotate the field only in a plane.

In addition, we have experience and knowledge in correct interface between double coils and commercially available power supplies.

Annex B — Work Plan

Rotational field TMS (rfTMS) - Workplan

Brainsway and Yeda want to evaluate the rfTMS technology. The evaluation will be performed according to the current workplan as detailed below:

1. Brainsway submitted a Magneton application, accompanied by supporting documents provided by Yeda, to the Israel Innovation Authority / Rishut Lihadshanut ("IIA"), for the development of the rfTMS technology, in October 2017.

2. Yeda will procure that Prof. Elisha Moses will conduct a clinical trial in major depression disorder (MDD) patients in Geha Mental Health Center ("Geha"). Prof. Elisha Moses has already obtained Helsinki Committee approval for the study.

3. Yeda and Prof. Elisha Moses will procure that the supervisor of the Clinical Trial at Geha shall submit, for approval, an amendment to the Helsinki Committee, in accordance with the following modifications:

a. The study will be performed with a deep TMS dual-coil array, that will be developed by Brainsway, and with a single H10 coil that will be supplied by Brainsway. Brainsway will also provide an EMG system for the performance of the study (all such devices to be used solely in the conduct of the study, and to be returned to Brainsway upon completion or termination of the Study, as applicable).

b. The following procedures will be added to the study protocol, which protocol is attached hereto as part of the work plan and will be performed as part of the clinical trial:

1. Leg motor threshold: Rotational field (RF) with dual deep TMS H10 coil vs. single H10 coil. The H10 coil is designed and was shown to stimulate effectively the leg motor cortex.

Hypothesis: We found in previous studies that the directionality in the leg motor cortex is low, and the motor threshold with postero-anterior and lateral-medial directions is similar. Hence we hypothesize lower threshold with use of RF dual coil due to greater population of relevant neurons with various orientations recruited by the RF dual stimulation.

Procedure: in each subject the leg motor threshold will be determined with the dual deep TMS H10 coil, with a H10 coil oriented along postero-anterior axis, and with a H10 coil oriented along lateral-medial axis.

2. Paired pulse LICI measurement in motor cortex: RF dual deep TMS H10 coil vs. single H10 coil.

Hypothesis: Greater degree of inhibition measured by EMG (motor) between coils due to greater proportion of relevant GABA neurons recruited by RF-dual coil.

Procedure: in each subject a LICI protocol will be applied with the dual deep TMS H10 coil and with a H10 coil, over the motor cortex. The long term intracortical inhibition (LICI) will be measured using EMG.

3. Plasticity measurements: Low (LF) and high frequency (HF) rTMS in motor cortex: RF dual deep TMS H10 coil vs. single H10 coil.

Hypothesis: Influence of greater degree of plasticity assessed in the following manner:

- for stimulation of the primary motor cortex, as a larger change in EMG signal (motor target)

Procedure: in each subject a session of LF rTMS (1 Hz) and a session of HF rTMS (10 Hz) will be applied with the dual deep TMS H10 coil and with a H10 coil, over the motor cortex. The motor cortex excitability will be measured using EMG following each session Each session will be applied on a separate day.

4. Brainsway will train the study operators in Geha in the performance of the procedures listed in #3.

Table 1: Timeline for Clinical Trial

Action	Date	Responsibility
Submission of Magneton	Oct 2017	Brainsway & Yeda
File amendment to Geha Helsinki committee	Feb 2018	Supervisor of clinical trial at Geha, procured by Yeda and Prof. Elisha Moses, and subject to Helsinki committee's approval
Complete development of a H10 dual-coil array, and install a H10 dual-coil array and a H10 coil at Geha	Apr 2018	Brainsway
Train operators in Geha to perform procedures added to the modified protocol	Apr 2018	Brainsway
Complete Clinical Trial as described herein	Dec 2018	Yeda

Table 2: Milestones

Milestone	Date
Demonstration of advantage of rfTMS over single coil TMS in leg motor threshold	Dec 2018
Demonstration of advantage of rfTMS over single coil TMS in the degree of inhibition in LICI protocols	Dec 2018
Demonstration of advantage of rfTMS over single coil TMS in neuroplastic changes following HF and LF rTMS sessions	Dec 2018

The Geha Mental Health Center
Affiliated with Tel Aviv University
The Sackler Medical Faculty

Treatment of Depression with Repetitive Transcranial Magnetic Stimulation Using a Rotating Magnetic Field

Dr. Shmuel Hess, Prof. Avi Weizman, Prof. Avi Valevski, Dr. Yuri Burnishev, Prof. Elisha Moses

— Research Proposal —

Version 3
Dated: December 3, 2017

1. Scientific background

Clinical depression is one of the most common mental disorders. The condition is characterized mostly by a combination of a number of symptoms such as pessimism, loss of interest or pleasure, major weight change or change in appetite, fatigue or loss of energy, sleep disorder, loss of concentration, feelings of guilt, thoughts of death, etc. that last at least two weeks. In various studies, the average incidence of this disorder worldwide is between 5% and 15% annually. This situation adversely affects many areas of a person's life, such as family, work and studies, quality of life and general health. It can be a considerable burden on the health services and at the

same time can cause major functional damage, including loss of ability to work and alcoholism.

The most accepted treatments in situations of depression are currently therapeutic treatment and psychotherapeutic treatment (on their own or in combination). However, there are cases in which these treatments do not lead to the desired results and to the patient's remission (1-3). Between 20% and 40% of patients do not respond to the existing therapeutic treatment or to a combination of therapeutic treatment and psychotherapeutic treatment (4).

In cases of persistent depression, patients who do not respond to the standard treatment occasionally switch to treatment with electro convulsive therapy. This treatment is considered the most effective (5) but is administered under general anesthetic, and apart from the risks of the anesthesia, it involves side effects, including a risk of developing cognitive disorders and permanent damage (6).

Transcranial Magnetic Stimulation (TMS) is a non-invasive method in which the nerve cells in specific regions of the brain can be stimulated. This method, which has been in use for 20 years, works by means of a coil into which flows a pulsating electrical current. During pulsation, the current in the coil causes electromagnetic induction that permeates into the brain and creates an electrical field that arouses the nerve cells in the brain in the region at which the coil is directed.

In the last few years, use has been made of Repetitive Transcranial Magentic Stimulation (rTMS) in the treatment of depression, whereby the TMS device is operated at a number of consecutive pulses at a certain frequency. This treatment is non-invasive, is administered when the patient is fully conscious, and has few side effects. In depressive patients with no psychotic component it is even as effective as the electro convulsive therapy (7). TMS has been approved by the FDA for major depressive disorder in patients who are not responsive to the standard treatment (8).

The assumption is that in a state of depression there is an asymmetry in brain activity in the frontal lobe with resultant hypoactivity in the left Dorsolateral Prefrontal Cortex (DLPFC) and hyperactivity in the right DLPFC. The DLPFC is TMS sensitive and synaptically connected to the limbic system associated with the regulation of mood.

The current most common protocols for treating depression using rTMS are: application of TMS to the left DLPFC at a high frequency of between 5-20Hz, a treatment that is thought to stimulate activity and on which the FDA (10-20Hz) protocol is based, or applying it at a lower frequency of 1Hz to the right DLPFC, a treatment that is thought to reduce activity. Two types of protocols have been found to be effective in the treatment of depression (9-10), however no advantage has been found in combining both options (11). The highest frequency protocol has a broader research base and has a better chance of being effective and was therefore chosen for this study. Meta-analyses have shown that the treatment with the highest frequency directed towards the left DLPFC is effective in the treatment of depression

in comparison with sham stimulation (12-14). The medical center that administers TMS treatments has examined the first hundred subjects who received the treatment after it was approved by the FDA and showed that TMS was indeed effective in the treatment of depression (15). Another study also showed an improvement with the more intensive treatment of twice a day for a total duration of only two weeks (16).

Another method for treating persistent depression is deep TMS in which the magnetic field created by the coil permeates deeper into the brain in comparison with the field created by the standard coils. The Israeli company Brainsway, which has developed a coil of this type, has shown that it is effective in the treatment of depression (17) and has also received FDA approval for the treatment of depression using this device (18).

Another location for the treatment of depression is the medial prefrontal cortex (MPFC). The Brainsway H7 coil is designed to stimulate this region and has shown good results in depressive patients (19).

However, the current application of TMS for research and treatment of brain disorders is still restricted by great differentiation, and it is difficult to obtain uniform brain reactions among the subjects. Recently conducted studies have shown that one of the reasons for this is the angular sensitivity of TMS.

A new coil, the cloverleaf coil, has been developed by the Weizmann Institute and is specially adapted for the existing TMS system (20). This coil more effectively activates the region at which it is directed and thus improves the angular sensitivity of TMS. This improvement is made by rotating the magnetic field achieved by superposition of the fields of two coils in the common figure-of-eight configuration with a rotating field and a diameter of 79 mm located perpendicular to each other and operating with a phase time difference. Rotating field TMS facilitates the optimal location of the regions in the brain for which it is impossible to know the correct direction of the stimulation. The figure-of-eight coil used in most rTMS studies for the treatment of depression activates neurons with axons in only one specific direction parallel to the magnetic field, whereas the cloverleaf activates neurons with axons that go in all directions in a plane on which the magnetic field is exerted. A comparison can be seen in figure 1 from (20) between the angular sensitivity of both coils, expressed in a measurement of the thumb’s response after a pulse that activates it in the human motor cortex, which demonstrates the advantage the cloverleaf coil’s angular sensitivity has over the figure-of-eight coil (20). Unlike the deep TMS treatment that requires an original system, the cloverleaf coil can connect to standard TMS systems.

As previously explained, in the standard TMS treatments of depression, patients vary in their response to the treatment which may be due to the angular sensitivity. In this study we will therefore examine if use of this new technology which has been found

to be effective, can lead to a greater improvement in the treatment of depressive patients in comparison with treatment using the commonly used coil.

In order to test this, the study will be double blind, so that only at the end of the follow up will it be possible to make a connection between the patient's details and their serial number used in the trial. The cloverleaf coil may also be operated in the single configuration of figure-of-eight, so that both the subject and the person conducting the trial cannot know in which trial conditions they are.

In addition and in parallel, the increased effect of rotating the magnetic field using a deep TMS device will be examined by expanding the configuration of the Brainsway H7 coil. The expansion of deep TMS into a rotating field is achieved in the identical fashion to the figure-of-eight coil, in other words a configuration of two coils perpendicular to each other and operated by a quarter turn of the power supply of one coil with respect to the H7 and Dual H7 devices independently.

The purpose of the study

Improvement in the symptoms of depression after treatment with rTMS using the cloverleaf coil (or Dual H7).

The study assumption

The treatment with the cloverleaf coil (or Dual H7) will be more effective than the treatment with the most commonly used coil, the figure-of-eight coil (or H7).

2. The study methodology

Subjects

Number of participants: 64. The number was determined on the basis of the results in (21), in order to reach a statistical power of 90% and one-tailed test alpha of 5% in favor of the cloverleaf coil or Dual H7. Based on a standard t test, the difference in effectiveness between the coils independent of frequency is expressed by a drop of two points more than for the figure-of-eight or H7 coil, respectively, indicating the HAM-D/17 after 20 treatments.

Recruitment

The subjects in the trial will be recruited from patients in one of the Geha's hospitalization departments (inpatients or patients being monitored), from patients in the Geha outpatient clinics or from those referred to the Geha E.R. All the subjects will be interviewed and examined on their medical history so that only suitable subjects will be recruited.

Criteria

Inclusion: Every patient, male or female, in an age range of 18-75 who comes to be examined or monitored or for treatment in one of the Geha units, diagnosed as suffering from persistent depression according to DSM-5 (24), who failed in at least one other therapeutic treatment with antidepressants according to the criteria in B(22), with a current episode of at least three years, with a score of 18 or more in HAM-D/17, and capable of providing written informed consent to being included in the study.

Exclusion: Inability to sign an informed consent, subjects suffering from intellectual disorders or clear cognitive deterioration. Subjects who have had a guardian appointed, subjects who have been diagnosed as suffering from a psychotic condition; subjects diagnosed as suffering from epilepsy or who have a first-degree family member with known epilepsy; subjects with a pacemaker or with a metal/magnetic component in the head or near it; subjects who are taking medications that lower the threshold for an epileptic attack (23); subjects diagnosed as suffering from PTSD or an eating disorder in the last year; or pregnant women.

Withdrawal from the trial: At any stage during the trial, if the subject feels unwell during the treatment and asks to stop the trial; if the subject's condition deteriorates between the tests; if in parallel to participation in the study, there is a significant change in the relevant permanent treatment for the disorder; or a subject who has not completed five treatments a week (at the discretion of the principal investigator).

Trial design

Under all trial conditions, the cloverleaf (or Dual H7) coil will be used and operated by two Magstim Rapid[1] (Magstim Company Ltd., Wales, UK) devices specially adapted with an external control box. In this format it is possible to choose to operate the coil in a figure-of-eight (or H7) configuration by operating only one device, or in the form of a rotating field by operating both devices with a fixed time difference.

The TMS parameter

A standard calibration test will be conducted at the start of every treatment in order to determine the strength of the pulse. The strength will be determined according to the resting motor threshold which will be ascertained by delivering single pules to the left motor cortex, and gradually increasing the strength until a response of at least 50μv is measured by an electromyogram device (EMG) in the activity of the right thumb muscle, and by visual feedback. The coil will be placed over the cortex using a mechanical arm with the subject's head kept in place with a chin and forehead rest. In any event, the strength will remain within the safety limits (23).

1

In high frequency conditions, the pulse power is set to 120% of the motor threshold power measured at the start of the meeting. The subject will receive 55 series of treatment at a frequency of 18Hz, at intervals of 2 seconds pulses and 20 seconds rest, directed at the left DLPFC or at the MPFC. The subject will receive a total of 1980 pulses during each meeting (21).

In low frequency conditions, the pulse power is set to 110% of the motor threshold power measured at the start of the meeting. The subject will receive four series of treatment at a frequency of 1Hz, at intervals of 180 second pulses and 30 seconds rest, directed at the right DLPFC or at the MPFC. The subject will receive a total of 720 pulses during each meeting (21).

The parameters in the FDA-approved protocol are: a pulse power of 120% of the motor threshold power, 75 series of treatment at a frequency of 10Hz at intervals of 4 seconds pulses and 26 seconds rest, directed at the left DLPFC. A total of 3000 pulses. The parameters in this research proposal can be seen to be less intensive than the parameters of the FDA protocol, in order to keep within the safety margin with the new coil.

3. <u>The study protocol</u>

The study will be conducted in the Geha Mental Health Center.

The subjects will come for four weeks of treatments, one treatment every day (Sunday thru Thursday) — a total of 20 meeting over a period of 4 weeks.

Before the trial begins, the subjects will sign an informed consent and will complete a standard demographic questionnaire.

At the start of every meeting, the patient's motor threshold will be tested and then headphones will be put on them.

The responses to standard and correct operation of the rotating field in the motor regions will be checked in relation to the standard coil. Every Sunday in the first three weeks of treatment, one of the following tests will be conducted in combination with the EMG system.

1. A motor stimulation threshold will be established for the region operating the leg with a double coil as against two perpendicular states of directionality of the standard single coil — posterior-anterior and lateral-medial.
2. A double-pulse stimulation to create long-interval intracortical inhibition (LICI) in the motor region. A first pulse with a rotating field is expected to be more effective at stimulating inhibition due to multiple excitations of the GABA cells.
3. Measuring plasticity in the response to stimulation at frequencies of 1Hz and 10Hz in a series of stimuli with a double coil rotating field, the excitability of the motor cortex will be measured with an EMG, and will also be measured after the series.

In accordance with the trial conditions, the TMS coil will be placed on the subject over the left or right DLPFC for the entire treatment. The DLPFC will be located by: measuring 6 centimeters anterior from the motor point at which the hand is operated or by using an EEG in a 20/10 configuration, and locating the coil above the location of the 3F or 4F electrode depending on the side to be stimulated.

The subjects will be divided randomly into two equal groups. One trial group will receive treatment with the figure-of-eight (or H7) coil and the other trial group will receive treatment with the cloverleaf (or Dual H7) coil. Both groups will receive treatment at frequency of 18Hz directed at the left DLPFC or the MPFC. After ten treatments, the subjects who did not respond to treatment (a reduction of <25% or a score of at least 18 in HAM-D/17) will transfer to the ten additional treatments in the parallel group. Those who began treatment with the figure-of-eight-coil will transfer to treatments with the cloverleaf coil and those who began treatment with the cloverleaf coil will transfer to treatment with the figure-of-eight coil.

Subjects who experience the treatment with 10Hz as too deep or intensive, will be offered a transfer to a low frequency of 1Hz directed at the right DLPFC and considered more tolerant.

Division of the groups

The subjects will be randomly and equally divided between the two trial groups using computer software. The investigator who conducts the trial will be blind to the coil's status, since, as previously explained, this coil can operate both in the figure-of-eight (or H7) configuration and in the cloverleaf (or Dual H7) configuration without it being possible to distinguish between them.

After ten meetings the blind will be removed from anyone who has not responded to the treatment and he will be transferred for treatment with the other coil.

Clinical questionnaires

The questionnaires will be completed before the first meeting and after the fifth, tenth, fifteenth, and last meeting and two weeks after the end of the trial.

- Hamilton Depression Rating Scale-17 items (HAM-D/17)) — to rate the intensity of the depression.
- Quick Inventory of Depressive Symptomatology (QIDS) — self-report questionnaire to rate the intensity of the depression.
- Clinical Global Impression (CGI)
- Hamilton Anxiety Rating Scale (HAM-A) — to rate the intensity of the anxiety
- Fagerstrom Test for Nicotine Dependence (FTND) — to test for nicotine dependence among smokers

The main study variable: the intensity of the depression

The other study variables: the intensity of the anxiety and the characteristics of smoking

Statistical analysis

The data will be analyzed using Excel and Statistica software. The T, F and x^2 tests to determine if the TMS treatment reduced the intensity of the depression, if there are significant differences between the coils, if there is an advantage to one paradigm over the other (18Hz compared with 1Hz), and if there has been an improvement after the transfer from one treatment to the other. Subjects who experience a reduction of more than 50% in the median in HAM-D/17 will be considered as responding to the treatments and a reduction to under a rating of 10 in HAM-D/17 will be considered as remission in the illness.

4. Safety

The new coil in effect comprises two 70 mm diameter figure-of-eight coils perpendicular to each other (used by Dual H7) with the new coil installed in both H7 coils. These coils are used in their single configuration for most of the trials in the treatment of depression, until now with no technical malfunctions. The new coil has been meticulously tested and has a mechanism to prevent malfunctions such as overheating or electrocution in operation, precisely as for the single coil. The time intervals between the subjects will be sufficiently long (at least an hour between patients) to prevent the coil overheating.

All the parameters in the trial are protected by safety lines in (23). These lines describe the maximum intensity and frequency during the treatment, and these are kept within the study's safety range. The subjects will be able to stop or leave the trial at any time, as they decide and as they wish, without any threat or concern of any kind being applied. If a significant deterioration in the subject's condition between meetings is diagnosed, he will be removed from the study. The subjects will arrive on the recommendation of the medical team, so that only subjects suitable for the trial will be recruited. The trial will be conducted in the hospital so that the medical team will be nearby at all times in the trial. The investigator will also be present beside the patient at all times during the trial and can stop the treatment and remove the coil from the subject immediately, if so required.

The risks and/or discomfort that may be caused to participants in the study: discomfort from sitting for 20 minutes while receiving the treatment and the time necessary to complete the questionnaire. After the treatment, some patients report tenderness in the region of the stimulus, ringing in the ears, and slight tingling in the face that passes spontaneously. In exceptional circumstances, the treatment may induce an epileptic seizure. An epileptic seizure is a condition defined as passing

symptoms of a disease that is the result of increase electrical activity in the brain nerve cells. The external effect can be severe, such as movements and kicks (tonic clonic seizure) or mild, such as a brief loss of consciousness. However, the induction of an epileptic seizure as a result of the treatment is an extremely rare event among healthy subjects and if it occurs, it will be described mainly among those who have a background of suffering from epilepsy (extremely rare at low frequency, and at high frequency found in 1.4% of subjects with a background of epilepsy, and less than 1% among subjects with no background of epilepsy (23). All the subjects will have an EEG before the trial begins to rule out any concern over epilepsy. If there is an epileptic seizure, there will be a doctor and a nursing team nearby trained to treat this condition and with rapid access to first-aid equipment and advanced treatment, including anti-convulsive medications.

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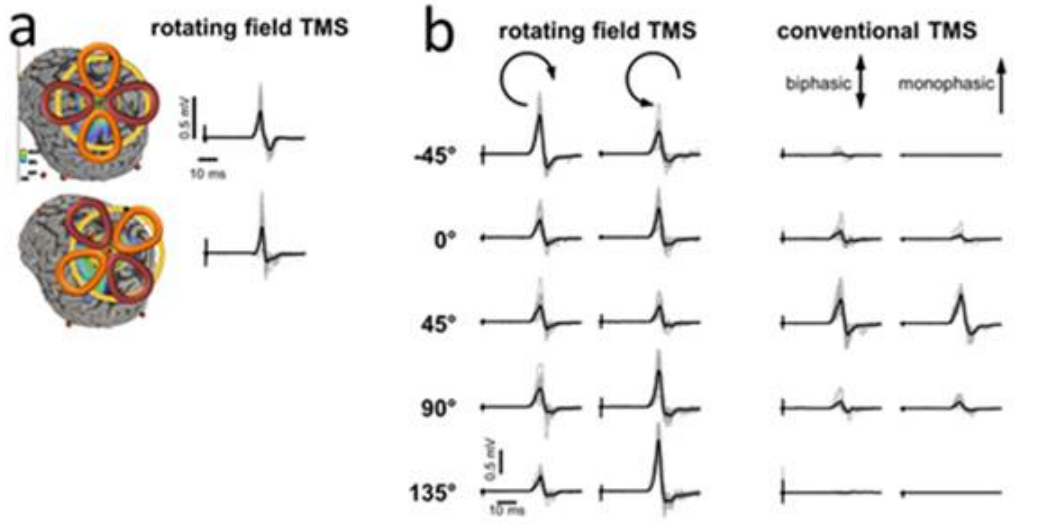
Figure 1. The response of Human motor cortex to rfTMS.



Rotem A, Neef A, Neef NE, Agudelo-Toro A, Rakhmilevitch D, et al. (2014) Solving the Orientation Specific Constraints in Transcranial Magnetic Stimulation by Rotating Fields. PLoS ONE 9(2): e86794. doi:10.1371/journal.pone.0086794
http://journals.plos.org/plosone/article?id=info:doi/10.1371/journal.pone.0086794

PLOS | ONE

Annex C — Magneton Application
State of Israel - Economics
Innovation Authority — Generic Technological Studies Administration

Application for support for a Magneton project — 2017

Date of application filing **October 17, 2016**

1. Details of the company and the application

Company name: Moach Research and Development Services Ltd.
Plant/Division:
The study institution: Weizmann Institute **Faculty: Physics**
Company number in the Registrar of Companies/Partnerships 513443788 **Company no. in the Office of the Chief Scientist (if known) 5175**

Planned duration of the Magneton in months	R&D period for this plan From _ Until		Time scale for the development of the product after the end of the Magneton
24	Oct. 19, 2015	Oct. 17, 2016	3.5 years

Is this a new plan? x Yes ☐ No, state number of previous plan: Ending on:

2. Subject of the plan:

Development of a rotational field TMS system (rfTMS) for the treatment of cerebral disorders

3. Key personnel in the plan

Position	First name and family name	Telephone	Cellular	Fax	E-mail
Project manager in the company	Yiftach Roth	*02-5824030*	*5665875-052*	*5812517-02*	Yiftach@brainsway.com
Company contact person with the Office of the Chief Scientist	Hadar Levi	*02-5824030*	*054-5699133*	*5812517-02*	hadarl@brainsway. com
Principal investigator from academia	Elisha Mozes	*08-9343139*	*9420866-054*	*9344109-08*	elisha.moses@weizmann. ac.il
Joint principal investigator (if one)					
Research institution's contact person with the Office of the Chief Scientist (**Not the investigator**)	Neta Pesach	*08-9346050*	*3872598-052*	*9315927-08*	Neta.pessah@weizman.ac.il

4. R&D budget for the plan (NIS thousands) (up to NIS 3,400,000 for two years)

	Current year of this	Year A (if there was one)	Year B	Total years

	application	before this application	(if planned)	A+B
In the company	**840**		600	1440
In the research institute	**280**		200	480
Total for both bodies	**1120**		800	11800

5. For a continuation plan: Use of budget for year A (as a %)

Estimate of budget use in year A	Industry:	Academia:	Total:

6. Description of the application

Notes:

- A full explanation must be given for each sub-item. The space allotted for each response may be exceeded.
- If the subject is not relevant to the application being considered, state explicitly "Not relevant" — do not leave any sub-item unanswered.
- Annexes may be attached to the application, but **they are not a substitute for** completing this section of the application.

6.1. **Managers' summary in Hebrew** (this part should be copied word for word to the expert opinion form and presented to the members of the GTSA committee

6.1.1. Description of the project (max. 20 lines)

Description of the "Magneton" plan — The main idea, the need, and the technology (challenges and technological differences, uniqueness, patents, competition), division of activities between the company and academia, the R&D program and the planned achievements for each year (on filing an application for year A, relate also to the activities of year B. On filing an application for year B, summarize performance against planning and achievements of year A). Description of the expected achievement at the end of the "Magneton".

The brain rests in the hard and protected skull envelope that shields it from external interference and therefore medicine has difficulty performing non-invasive neurological activity. Transcranial Magnetic Stimulation (TMS) is a non-invasive technique that stimulates brain activity with short but powerful magnetic pulses. TMS overcomes the obstacle of the skull by defining a magnetic field outside the head which causes an electrical field in the brain. On the other hand, it is extremely sensitive to precise location on the head and because the electric field induced is created in a specific direction it stimulates only those nerve cells whose axon increases in the direction of the induced field.

There are many advantages of external, controlled stimulation, and it has been approved for clinical use. Clinical studies globally are currently examining this approach to a wide variety of brain disorders, including depression and bipolar disorder, schizophrenia, and autism, and implementation in conditions such as migraines or desire to stop smoking is extremely desirable. Therefore, in order to overcome the directionality limit of TMS and improve the effectiveness of brain stimulation a new type of coil has been developed in the Weizmann Institute with a cloverleaf configuration that overcomes the problem of directionality. The coil is adapted to the existing TMS system and more effectively activates the region to which it is directed, and this overcomes the problem of angular sensitivity of TMS. This improvement was made by rotating the magnetic field, an effect achieved by superposition of the fields of two coils in the common figure-of-eight configuration, located perpendicular to each other and operated with a phase time difference of 90 degrees. Rotating field TMS can be used at present to treat and to obtain the optimal placement in regions of the brain in which there is no preferred direction for the nerve cells, but their axons are spread out and distributed in all directions.

Brainsway has a special TMS coil that allows access to especially deep brain layers (deep TMS) and considerable experience in operating the coil in a fitted helmet with cooling for a large variety of brain and mental disorders. The purpose of this Magneton application is to produce a device that has all the advantages of Brainsway's deep access and the Weizmann Institutes rotating field coil. To do this, special helmets will be built to contain double the coils and which will be operated by two separate power units with appropriate timing to move the phase though ninety degrees. The project includes building the helmet and the appropriate coils and characterizing the rotating field produced. This will be followed by a test of the effect of the field and the level of its effectiveness in reaching and

activating various regions in the brain. At an advanced stage, the efficacy of the treatment in a variety of disorders for which the efficacy of the Brainsway device (non-rotating) has already been proved.

6.1.2. The market, the commercial opportunity (max. 15 lines)
General description, size and rate of growth of the global market, competitive products, the business model, sales forecasts.

The global market for treatments of the central nervous system is estimated at 3 trillion dollars a year. Of this, the segment treating depression is approximately 150 million dollars a year. Approximately 240 million people in the world suffer from depression and another approximately 20% are at risk of developing severe depression during their lifetime. The depression segment is the main target market in the first stage in which the system can capture approximately 5% of the depression market, mainly due the limitations of existing medications (30% of patients are resistant to treatment using pharmaceuticals) and it is characterized by efficacy and speed of response to treatment, a low risk level, and fewer side effects.

Market size potential — There are estimated to be approximately 10 thousand mental health institutes in the target markets (United States, Europe and Japan) and another 100 thousand registered psychiatrists.

The market share / sales target for 2023 (million dollars): 2023 — 14, 2024 — 32, 2025 — 76

Competing products — the current edition of the rTMS system has limited ability to penetrate the magnetic field (up to 1-2 cm into the brain cortex) and the field induced has limited directionality and so mainly neurological structures with directionality parallel to the induced electrical field can be stimulated. This is in contrast with the innovative rfTMS technology which creates a rotating field so that neurological structures with different orientation will be stimulated. The rTMS systems cost 100 thousand dollars and a payment of 100-150 dollars for every treatment with the system. Business model — Research, development and technological innovation. Deep understanding of the neurological and psychological processes arising from irregular brain

activities. The product will be produced and integrated by subcontractors. The product will be marketed in strategic cooperation with distribution and medical instrumentation manufacturing companies, and will focus on system sales, setting up treatment centers and sale of franchises.

The company obtained FDA approval in January 2013 to market the company’s product for depression in the United States. The company has also obtained Health Canada approval to market in Canada.

The company is marketing its products in the United States by itself and is in advanced negotiations with a number of bodies to market the product in other countries worldwide.

An exclusivity contract has been signed for a geographical region for a period of 10 years, subject to a minimum number of treatments, the device has been installed in treatment sites and payment during the initial period is based on a fixed monthly payment and thereafter a payment for the number of treatments conducted with the device or the fixed price whichever is higher. A remote monitoring system meters the treatments and the system makes variable charges for different applications. The company also allows a purchase model in certain circumstances.

The company has signed a contract with a high-tech company in Italy and Neuromagnetics in Chile as well as Brainsway Scandinavia AB in the Scandinavian countries and with CMI in Japan and Moksha8 in Mexico and Brazil. The company has received ANVISA approval to market in Brazil.

6.2. Abstract of a summarizing technical report (one page at most)

If the proposed plan is a continuation plan, give details of the development plan and the R&D period that has passed (abstract of a technical report), including:

* **Achievements in the areas of development and marketing in the previous stages, including performance compared with planning**
* **Anomalies in performance in comparison with planning in R&D and marketing**
* **Changes in the development plan compared with the original plan [and] technological developments in the development plan**
* **Economic/marketing aspects that were clarified during the report period.**

Hebrew English

6.3. The product and the technology

6.3.1. The need and the product

* **The need that the product fulfills and compatibility of the subject with the corporation's operations.**
* **Describe the product from a functional aspect with reference to its performance, mode of use, and how the product integrates with other products (if required).**

Hebrew English

Most of the effort towards innovation in the operation of TMS focuses on achieving greater depth of penetration and a higher rate of operation, with the aim of more effectively activating deeper areas of the brain. This process is powered mainly by a hope of replacing the more invasive electroconvulsive method ECT but is a last resort in cases of depression that is unresponsive to medications. However, the strong directionality of the induced field has continued to be the main limitation of TMS at this stage.

The sensitivity to direction is the result of neurons in the target region in the brain only being activated if the induced electrical field is precisely aligned with their axons. Both the location and the direction of the stimulating magnetic coil must be adjusted with high resolution in order to activate the brain in the optimal location, and the magnet must be kept in position during the entire treatment. A stable and fixed location can be found using MRI in combination with a stereotactic device. However, it is completely impossible to determine the optimal orientation of the coil if stimulation of the focused brain region does not include axons lined up together in one bundle or if contrary to activating a muscle, there is no measurable response to activating the brain.

This is especially true of the prefrontal dorsolateral regions which are the main target in the treatment of depression. Moreover, in these regions of the brain there is no single unique direction that includes sufficient neurons, and so the ability of TMS to stimulate is limited. The entire region may also be less sensitive to stimulation using a directional coil. The ability of the rotating field to improve the directional sensitivity and to allow more effective TMS stimulation is therefore an important objective defined for the development of future magnets. The object of this Magneton application is to develop such a technology in conjunction with a Brainsway H-coil which has the ability deep to penetrate effectively into regions deep in the brain. The combined product will be able to rotate the magnetic field and apply stimulation to chains of neuron at a depth in the brain where the axons are oriented in a greater variety of different directions.

The final product is a system of a type routinely manufactured by Brainsway but with a helmet that includes a deep TMS type double coil with sufficient cooling for both coils so as to allow operation over a long period, and with two Magstim power supplies operated by moving a phase through 90 degrees relative to each other or 60 micro-seconds for a typical magnetic pulse.

6.3.2. Comparison with the current situation — in industry and academia (in Israel and worldwide), with the emphasis on state of the art.

Hebrew English

This Magneton application provides a solution to a defined lack in the market in which there are currently no solutions to improve the effectiveness of TMS stimulation in regions of the brain that are important for therapy but do not have defined axon

directionality. The competition in the field comes mainly from companies employing different protocols with a standard device, for the most part a coil in a figure-of-eight configuration, which allows location of the activation in regions of the brain close to the skull, and which is effective for nerve cells with axons bundled together with defined directionality.

Another competitive field is of electric stimulation of the brain using electrodes implanted in it (DBS) or placed on the scalp (tDCS). The former has important clinical effects that have not yet been fully explained and mainly requires more invasive surgical intervention. The latter is problematic in that the physics of the transfer of currents and the results of the transfer are in dispute.

6.3.3. Detailed description of the R&D program

* **The study plan and the division between participants (with the emphasis on the technology being transferred from academia to industry)**
* **A detailed explanation of the technological challenges and knowledge gaps**
* **The study group's achievements in technological development up until the start of the project**
* **Adoption of the technology in an industrial corporation**
* **Continued development after the end of the "Magneton"**

Hebrew English

The R&D program is aimed at the development of rfTMS technology, to investigate the clinical repercussion of the innovative technology and to develop it for the product.

The study team in the Weizmann Institute under Prof. Elisha Moses has developed the technology from an initial concept to feasibility testing, has conducted simulations, built a laboratory model, and performed tests to prove feasibility on nerve cell cultures, in animals and in preliminary trials in humans.

Objectives of the current plan:

a. Development of an advanced rfTMS system, including a dual-channel coil arrangement connected to a dual-channel stimulator with the possibility of precise timing.
b. Conduct of a clinical trial in depressive patients. The trial will include a number of components that will examine the capabilities of the new technology in comparison with existing rTMS technology. These components include:

1. Test of the efficacy of the treatment of depression
2. The effectiveness of motor stimulation of the arm and the leg
3. The effectiveness of inducing inhibition in the motor cortex using the LICI protocol
4. The effectiveness of creating neuroplastic changes in the motor cortex following high and low frequency treatment.

In Sections 2-4, measurements will be taken using an EMG system.

The technological challenges and the knowledge gaps: Planning, development and building the system, while treating with interaction between the coils in which a current is passed in different directions at the same time, collection of the neurophysiological indexes, identification of the indexes in which the innovative technology has a significant advantage.

At the end of the current program, the object will be to incorporate rfTMS technology in Brainsway's products. The company is developing a deep TMS system, including a dual-channel stimulator. As part of this development, coil systems will be integrated to enable rfTMS in various regions of the brain.

After the end of the Magneton, wide scale clinical studies will be conducted to examine the safety and efficacy of a multi-channel system, including rfTMS, in their effect on various brain disorders.

6.3.4. The uniqueness and innovation of the product that will be developed (after the Magneton), including reference to the technological entry barriers to competitors who might seek to develop a competing product.

Hebrew English

Brainsway is currently the world leader in the field of improved coils. The addition of the ability to rotate the coil, with the resultant increased stimulation will be a product that has no equal in the market.

It can be supposed that following the success that Brainsway has demonstrated in the use of the rfTMS rotating field, competitors will have a great interest in developing a similar product. The first obstacle will be legal, based on a patent that protects the use of the rfTMS rotating field in any configuration.

The second barrier is technological and is supported by the knowledge accumulated by the Weizmann Institute, for example with regard to the creation of a correlation between the coils and the prevention of mutual inductions that might cause the coils to collapse. Brainsway's know-how in building a suitable helmet that will include two coils and will enable cooling and effective operation are also a technological barrier. It should be noted that these technological barriers can be overcome given enough time and with considerable engineering capability. There is therefore an advantage to first and early entry into the market, and to protecting the patents granted to the Weizmann Institute.

6.3.5. The characteristics of the product — a description of the product that will later be developed (after the "Magneton" and its characteristics and its incorporation in the target product in the company.

* **Does the process / product come under any regulations with regard to environmental protection either in Israel or in the countries for which the product in development is intended. (Give details of regulations). If the question is not relevant to the product / the process being developed, it must be marked: Not relevant.**
* **What steps are being taken to ensure that the product / process will meet all the environmental protection standards?** If the question is not relevant to the product / process being developed, it must be marked: Not relevant.

Hebrew English

The system is intended for the treatment of patients with various brain disorders, such as depression, stroke, Parkinson's, Alzheimer's, etc.

The rfTMs system will be integrated into a Brainsway multi-channel deep TMS system. The system will include coil systems intended to affect various regions of the brain. The system will combine the advantages of Brainsway deep TMs that enables timing of an effect on various regions of the brain and of rfTMS technology that enables the effect in defined regions of the brain to be dramatically increased by stimulation in multiple directions in the same region, with other areas being less affected, by limiting the stimulation there to a single direction. We expect that the aforementioned technological combination will provide enormous advantages from the aspect of the flexibility and efficacy of rTMS in their combined effect on various regions of the brain.

Aspect of environmental protection — not relevant.

6.3.6. Patents and intellectual property

* **Is the technology being used protected by patents and/or other intellectual property rights? If so, give details.**
* **Give details of the distribution of the ownership of intellectual property rights between academia and industry.**
* **Has a patent review been conducted? Have the partners verified that the development does not infringe the intellectual property of others? How?**

Hebrew English

The Rotational Field TMS technology on which this project is based is protected by a family of patents discovered by the principal investigator, Elisha Moses, and the rights to them belong to Yeda, the Weizmann Institute's trading company.

Brainsway and Yeda have reached agreements that will soon be anchored in a signed agreement to grant an exclusive license for the use of the IP in question.

The status of the family of patents is described below:

Title: Magnetic Configuration and Timing Scheme for Transcranial Magnetic Stimulation

Inventors: MOSES Elisha, ROTEM Assaf

Country	Application	Publication	Grant	Status
U.S.A	02/03/2009 - 61/156.835	—	—	Expired
PCT	02/03/2010 - PCT/IL2010/000171	10/09/2010 - WO 2010/100643	—	Expired
European Patent Office	—	—	—	Pre-filing
European Patent Office	02/03/2010 - 10710911,8	18/01/2012 - 2 405 970	—	Allowed
France	02/03/2010 - 10710911,8	18/01/2012 - 2 405 970	—	Pre-filing
Germany	02/03/2010 - 10710911,8	18/01/2012 - 2 405 970	—	Pre-filing
Italy	02/03/2010 - 10710911,8	18/01/2012 - 2 405 970	—	Pre-filing
Spain	02/03/2010 - 10710911,8	18/01/2012 - 2 405 970	—	Pre-filing
United Kingdom	02/03/2010 - 10710911,8	18/01/2012 - 2 405 970	—	Pre-filing
Israel	02/03/2010 - 214905	—	214905 - 30/03/2017	Granted
Israel	02/03/2010 - 230414	—	230414 - 30/03/2017	Granted
Japan	02/03/2010 - 2011-552573	23/08/2012 - 2012-519050	5688380 - 30/01/2015	Granted
U.S.A	02/03/2010 - 13/254.361	01/03/2012 - 2012-0053449	9.067.052 - 30/06/2015	Granted
U.S.A	02/03/2010 - 14/714.368	03/09/2015 - US-2015-	—	Allowed

6.3.7. Describe the points of technological uncertainty that are preventing the company from making a decision to enter immediately into a product development process.

#	Technological uncertainty	Actions to remove/reduce uncertainty
1	Quantification of the ability of rfTMS to stimulate significantly more neurological structures in comparison with current rMTS with defined directionality and to create more effective motor stimulation	**A comparative study of the threshold of motor stimulation of the leg using rfTMS compared with the threshold with a single coil in a posterior-anterior direction and in a right-left direction**
2	Quantification of the ability of rfTMS to create significantly greater inhibition in comparison with current rMTS with defined directionality	**A comparative study of the effects on the motor cortex of the LICI protocol using rfTMS compared with a single coil**
3	Quantification of the ability of rfTMS to create significant neurological effects in comparison with current rMTS with defined directionality	**A comparative study of the effects on the motor cortex of 20-minute treatments at low frequency (that creates inhibition) and at high frequency (that creates facilitation) using rfTMS compared with a single coil**
4	Quantification of the effectiveness of rfTMS in a clinical improvement in patients with depression	**A comparative study of treatment of depressive patients for 4 weeks using rfTMS compared with a single coil**

6.4. The R&D program

6.4.1. Describe the abilities of the academic group, the capabilities of the company and of the development team relevant to this program — including previous R&D between the bodies, previous experience of academia-industry cooperation, the conduct of similar projects, the relevant personnel in the company for introducing the technology

Hebrew English

The company's direct workers include inventors of deep TMS technology who registered the patent while they were working in the American National Institute of Health (NIH), Prof. Abraham Zengen, the company's neurobiology consultant, and Dr. Yiftach Roth, the Chief Scientist. Our company has been granted exclusive use of said patent by the American National Institute of Health.

The leading team also includes the medical director, Dr. Aron Tendler, and Ahava Stein, Regulatory Affairs Consultant.

Brainsway has considerable experience in the development of TMS products. The company's R&D department includes physicists, electronic engineers, mechanical engineers, software engineers, and biomedical engineers with vast experience in the development of such products. rfTMS technology intersects with the company's developments and is at the core of its sector of operations.

The company has considerable experience of cooperation with academia, including partnership in a Magnet BSMT consortium and in international cooperation projects.

The laboratory in the Weizmann Institute has been engaged for 15 years in the study of the effect of electrical and magnetic fields on the activities of the nerve centers in various contexts, from cultures and neural networks growing in a test tube, by way of responses to stimulation in laboratory animals, to a study of stimulation in healthy and unhealthy humans. The laboratory is well equipped and experienced in the technological aspects of development and testing instrumentation and in trials of biological samples from humans through animals to tissue cultures. The combination of high-level experimental physics and innovative neurobiology characteristics of the laboratory is indeed unique. The laboratory is equipped to deal with tissues and care for animals, as well as for the development of new power supplies, optical microscopy techniques, and coil design.

6.4.2. Are there any differences in the aforesaid ability compared with the ability needed to develop the plan?

No	**No**	**If yes, what are they and how does the company intend to eliminate these differences (such as subcontractors, acquisition of know-how), give details.**

Hebrew English

6.4.3. Give details of the specific tasks that make up the work plan <u>for the entire Magneton period</u> and the resources required to carry them out (the tasks should be activities that end with deliverables. Avoid general descriptions such as: planning, execution, etc.). Give details of the activities (recommended up to 10 activities) for each year of R&D activities.

Gantt chart: Prepare a detailed Gantt Chart for each "Magneton" period and submit it to the professional examiner during the working meeting on the plan.

#	Activity/Task	Responsible for execution	Task Duration in months	End date	Human years *	Total cost (NIS Thousands) *
Year A						
1.	Development of a dual-channel coil arrangement for rfTMS in the motor cortex and in the prefrontal cortex	Brainsway	8	May 15, 2018	0,85	680
2.	Development of a synchronization system between two stimulators and adjustment between two coils for rfTMS study purposes	Weizmann Institute	8	May 15, 2018		120
3.	Completion of preparations and beginning of a clinical study of rfTMS in depressive patients	Weizmann Institute and Brainsway	8	May 15, 2018	0,15	140
4.	Clinical study of rfTMS in depressive patients	Weizmann Institute and Brainsway	4	October 15, 2018	0,1	180
5.						
Year B						
1.	Conduct and completion of clinical study of rfTMS in depressive patients	Weizmann Institute and Brainsway	12	October 15, 2019		800
2.						
3.						
4.						
5.						

6.4.4. For each of the tasks in the above list describe the activities required to achieve them at a level of detail that will allow a professional examiner to judge the reasonableness of the amount of resources required: human years and overall cost of a task. <u>Give details of all elements of the activities in the company and in academia.</u>

Year A

1. The task includes planning the system, mechanical planning, thermal planning, constructing a prototype, integration, testing and validation, regulation and standardization, running-in and implementation. The required objective is to build a dual-channel coil setup to operate rfTMS protocols. The main challenges: 1. The current pulses in both coils overlap at some time during the pulse. The current in one pulse creates forces on the other coil and so meticulous mechanical planning is required to ensure the strength necessary to carry out the protocols. Extensive operating tests are also required to ensure that the mechanical strength meets the requirements. 2. Current in one coil induces a current in the other coil. This will need to be taken into consideration when planning the coils. We will measure the current in various states and at various strengths and also take motor threshold measurements, and we will make adjustments so that the effect will be the required effect for each protocol. 3. Cooling The coils will be positioned one above the other. Both coils, including the lower one, must be kept at a normal temperature while the protocol is being conducted. To this end we will need detailed thermal planning, planning and constructing of the casings and the airflow directions so as to ensure efficient cooling, and thorough thermic testing while operating the various protocols. 4. Harnessing: The coil setup will need to be applied to the prefrontal cortex for the treatment of depression. It will also need to be applied to the leg motor cortex and to the arm motor cortex to [measure] the neurophysiological indexes aimed at examining the technological advantages.
   It is reasonable to suppose that a number of prototypes will need to be built and tested until a device that answers all the requirements is achieved.
2. Planning the system, planning hardware, organizing software, mechanical planning, software writing,

building a prototype, integration, testing, validation, regulation and standardization, running in an implementation. This task is being performed by the Weizmann Institute.

3. The task includes regulatory activities, installation, preliminary training, training treatment providers, recruiting patients, monitoring and technical support. Helsinki Committee approval will need to be obtained, there will need to be involvement in writing the protocol, the system will need to be installed at the site, and the site operators will need to be trained. This task is being undertaken jointly by Brainsway and the Weizmann Institute.
4. The task includes recruiting patients, conducting the trial, monitoring, technical support and advising the trial, while ensuring that the procedures are being followed as required. This task is being undertaken jointly by Brainsway and the Weizmann Institute.
5.

Year B

1. Recruiting patients, monitoring, regulatory activities, technical support, analyzing the results
2.
3.
4.
5.

End of the period of the R&D plan (in "Magneton")

6.4.5. Give details of measurable milestones for the entire plan (such as: outcomes, interim products, or clear engineering achievements). Include at least two milestones in each year of operations.

#	Activities/Milestones	End date	Description of the achievement at the milestone
Year A			
1.	Completing the rfTMS system, including the array of coils and the dual-channel system	May 15, 2018	Completing the system that will allow rfTMS to be created in the motor cortex and the prefrontal cortex
2.	Beginning of the rfTMS study in depressive patients	May 15, 2018	Start of a clinical study of rfTMS technology
3.			
Year B			
4.	Completion of the rfTMS study in depressive patients	October 15, 2019	End of the clinical study
5.	Analysis of the study results	October 15, 2019	An analysis of the results and quantification of the technological advantages compared with existing technology
6.			

6.5. The market

6.5.1. Define the target market for the future product in Israel and abroad, the existing market segments (customers with similar characteristics), the market distribution on a geographical basis, and the market dynamics.

Hebrew English

Large market potential in the target markets (United States, Europe and Japan) estimated at 10 thousand mental health institutions and another 100 thousand registered psychiatrists. 240 million people out of the entire world population suffer from depression and 20% are at risk of developing severe depression at some stage in their lives. The depressive segment is the largest of all CNS sufferers and that is the main target market in the first stage of launching the project, although the device's ability to stimulate deep regions of the brain opens an extremely large variety of additional applications.

Various addictions, including drugs, smoking, alcohol — more than 48 million Americans suffer from various addictions. The annual cost of treatment is estimated at 360 billion dollars.

Obesity — 80 million Americans suffer from obesity. The annual cost of treatment is estimated at 220 billion dollars.

Autism — More than a million Americans suffer from autism. The annual cost of treatment is estimated at 100 billion dollars.

Alzheimer's and MCI more than 17 million Americans suffer from Alzheimer's or MCI. The annual cost of treatment is estimated at 180 billion dollars.

PTSD — More than five million Americans suffer from PTSD. The annual cost of treatment is estimated at 10 billion dollars.

OCD — The fourth most common mental illness. One in every 50 adults in the United States suffers from OCD. The market in the treatment of OCD was estimated at 700 million dollars in 2010.

ADHD — 3% to 5% of children worldwide suffer from the syndrome. The market in treatments of ADHD is estimated at 3.85 billion dollars.

As previously stated, the product we are developing is an effective solution that is currently unavailable for the treatment of brain disorders and especially the problem of depression. The total world market is ready to adopt this innovative product with the main customers being: medical institutions and hospitals also treating brain disorders, neurology clinics, psychiatric centers, independent psychiatrists (private clinics), etc.

6.5.2. What is the current annual size of the market for the product in Israel and worldwide in units and dollars? What is potential global annual size for the future product? (State the source of the data). What is the growth potential for the entire market and for the product under developed? (State the source of the data).

Hebrew English

The global market for Central Nervous System (CNS) treatments is estimated at 3 trillion dollars a year. Of this the depression treatment segment in 150 billion dollars a year. There is currently no identical product on the market.

Our business plan indicates rentals and sales of the systems for the following sums (million dollars)
From 2023: 2023 — 14, 2024 — 32, 2025 — 76

Data on that subject is published in various professional journals and the sources on which they rely are:
Espicom Business Intelligence
US National Mental Information Center, European Board of Psychiatry

6.5.3. Competition — describe the competing products and competing companies. Include the website addresses of those companies, if known. Give details of the relative advantages of the company compared with the competitors and its basis.

Hebrew English

Manufacturer's name and a link to the website	Name of the competing product	Price in $	Market share %	Capabilities, performance, advantages and disadvantages in comparison with the plan products
Magstim (www.magstim.com)	**Rapid2**			The main products are stimulators, as well as standard coils, and the system is inferior in comparison to ours. They received FDA approval for depression in 2015.
Neuronetics (www.neuronetics.com)	**Neurostar**			Self-production of stimulators and standard coil, including ferromagnetic core. They received FDA approval for depression in 2018. They market in the USA.
MagVenture (www.magventure.com)	**MagPro**			Manufactures stimulators and standard TMS coils, as well as production of stimulators and coils for magnetic seizure therapy (MST). They received FDA approval for depression in 2015.
Neurosoft (https://www.neurosoft.com)				Manufactures stimulators and standard TMS coils. They received FDA approval for depression in 2016
Nexstim (www.nexstim.com)				Manufactures stimulators and standard TMS coils, as well as systems for neuronavigation of the head.
Cyberonics (https://www.livanova.cyberonics.com)/				Manufacture of vagus nerve (VNS) stimulation for the treatment of epilepsy and depression. The treatment is invasive and involves surgery under general anesthetic.
Medtronic (www.**medtronic**.com)				Manufacture of deep brain stimulation (DBS) systems for the treatment of Parkinson's, depression and OCD. The treatment is invasive and involves brain surgery, implantation of electrodes deep in the brain, and anesthesia).
St. Jude (www.sjm.com)				Manufacture of deep brain stimulation (DBS) systems for the treatment of Parkinson's and depression. The treatment is invasive and involves brain surgery, implantation of electrodes deep in the brain, and anesthesia).

6.5.4. Who are the potential customers for the product(s) at the subject of the plan (if there are any, state who they are)? Are these new or existing customers?

Hebrew English

The main potential customers worldwide are:

a. Hospitals with departments treating brain problems, particularly in the area of depression
b. Psychiatric centers
c. Independent psychiatrists (private clinics)
d. Other medical institutions treating various kinds of brain problems, such as severe cigarette and drug addiction
Schizophrenia, Alzheimer's, CVA, autism, PTSD, stroke, and Parkinson's
e. Universities and research institutes
f. Research laboratories
g. Local, regional and global distributors of medical devices

The products that are the subject of the plan will be marketed to both existing and new customers.

6.5.5. Marketing obstacles (such as: licensing, standards etc.) and how the company intends to deal with them.

Hebrew English

We are aware of possible obstacles that may arise in the medical systems market, the main ones being:

a. Delay in obtaining regulatory approvals that may delay the development process
b. Changes in regulation, in permits, and in international standardization
c. Breach of rights to registered payments requiring legal action or market waiver
d. Delays in completing the clinical trials necessary for the receipt of regulatory approvals
e. Uncertainty of developing additional applications
f. Unexpected competition from other technologies

We have been careful in our business plan to build in a reasonable reserve both in terms of timetables and performance of the necessary tasks, and unexpected costs resulting from these obstacles or others.

6.6. Summary: Risks and opportunities

Analyze the risks and opportunities facing the future product from both the technological and marketing aspects.

Hebrew English

The risk	The risk management
In the area of technology — a risk of competition from similar products worldwide	Low risks since the technology we have is protected by a patent registered by the Weizmann Institute. The incorporated products will also be protected by the Brainsway deep TMS patents. The company is the only one in the world developing, manufacturing and marketing deep TMS products.
In the area of regulation — the company estimates that there are risks in this area and most of them will lead to delays in the timetables	It does not appear that there will be any risks of demands that the company will not be able to meet at this time. The company is operating according to all the standards and ensures that all the processes meet the regulatory demands.
In the area of marketing	The area of professional medicine dealing with brain disorders needs the product we are developing. As we have previously demonstrated, the existing alternatives are far from the efficacy and effectiveness that our product will provide. On the assumption that the required funds will be made available to us and we keep to the planned timetable, we are convinced that the business plan and its cost and sales components will indeed be achieved as planned.

We estimate that Brainsway’s integrated product including the rfTMS technology will open new horizons in the area of brain stimulations and the treatment of brain disorders. Brainsway will become a main world player in the area of a medical device for the treatment of brain disorders and depression in the first stage and later of various psychiatric and neurological disorders. The product that is the subject of the plan will become a main tool in the treatment of various brain disorders and in brain research.

6.7. Concomitant activities:

6.1	Has the project been previously submitted for support of any kind from the Office of the Chief Scientist?	No
6.2	Is the project part of another, funded project	No
6.3	Is the prior academic research being funded by the company	No
6.4	Is the prior academic research being funded by any other government source If so, give details: Kamin	Yes

7. Declaration for industry

I hereby declare that the information in this application, apart from academia's information, is to the best of our knowledge the correct, most up-to-date and complete information the company has and known to me personally and that I must notify the Office of the Chief Scientist of any new information the company may subsequently have and known to me personally and which could affect the product being developed from any aspect whatsoever.

8. Declaration for academia

Date	Signatory's position	Signatory's name	I.D. No.	Signature and stamp
October 16, 2017	Company CEO / Vice CEO	Yaacov Michlin	014404677	
October 16, 2017	One of the plan's leaders in the company	Yiftach Roth	024698631	

I hereby declare that the information in this application relating to the activities of academia is to the best of my knowledge the correct, most up-to-date and complete information the implementation company has and known to me personally and that I must notify the Office of the Chief Scientist of any new information the research institute may subsequently have and known to me personally and which could affect the product being developed from any aspect whatsoever.

Date	Signatory's position	Signatory's name	I.D. No.	Signature and stamp
October 16, 2017	**CEO of the implementation company** (obligatory)	Gil Granot-Meir	012263893	[signature]
October 16, 2017	**The principal investigator** (obligatory)	Elisha Moses	079790812	[signature]

Annex D: rfTMS Development Program (including Milestones)

Development program for rotational field TMS (rfTMS)

Milestone	Details	Completion by
Integrate rfTMS in a Multi-channel TMS system for clinical research	Development of Multi-channel TMS system of up to 5 channels including rfTMS for clinical trial.	Dec 2019
Safety and feasibility clinical trial in humans	Perform a clinical trial using multi-channel TMS system including rfTMS. The study will test safety of operation with parameters defined based on previous stages.	Mar 2021
Advanced safety and efficacy clinical trial in humans	Advanced clinical trial using multi-channel TMS system including rfTMS. The study will test safety and efficacy of improving features of neural effects in various measures.	Oct 2022
First Commercial Sale of an rfTMS Product	—	Apr 2023

Exhibit 21.1

Brainsway Ltd. List of Subsidiaries

Company Name	Jurisdiction of Incorporation
Brainsway Inc.	Delaware
Brainsway USA Inc.	Delaware
Brain Research and Development Service LTD	Israel