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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2017

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

For the transition period from _____to_____

Commission File No. 001-37704

DARIOHEALTH CORP.

(Exact name of registrant as specified in its charter)

Delaware	**45-2973162**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

8 HaToKhen Street
Caesarea North Industrial Park
3088900, Israel
(Address of principal executive offices)(Zip Code)

972-4-770-4055
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered:
Common Stock, par value $0.0001 per share	**The Nasdaq Stock Market LLC**
Warrants to purchase Common Stock	**The Nasdaq Stock Market LLC**

Securities Registered pursuant to Section 12(g) of the Act:
None
(Title of class)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on it corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter time that the registrant was required to submit and post such files). Yes þ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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

Large accelerated filer	☐		Accelerated filer	☐
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	þ
Emerging growth company	þ			

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter is $14,758,157.

As of March 18, 2018, the registrant had outstanding 16,447,914 shares of common stock, $0.0001 par value per share.

Documents Incorporated By Reference: None.

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- our current and future capital requirements and our ability to satisfy our capital needs through financing transactions or otherwise;
- our launch and market penetration plans;
- our ability to manufacture, market and generate sales of our Dario Smart Diabetes Management Solution;
- our ability to commercialize Dario Engage;
- our ability to develop, launch and commercialize Dario Intelligence;
- our ability to maintain our relationships with key partners;
- our ability to complete required clinical trials of our product and obtain clearance or approval from the United States Food and Drug Administration, or FDA, or other regulatory agencies in different jurisdictions;
- our ability to maintain or protect the validity of our U.S. and other patents and other intellectual property;
- our ability to retain key executive members;
- our ability to internally develop new inventions and intellectual property;
- interpretations of current laws and the passages of future laws; and
- acceptance of our business model by investors.

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

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

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

PART I

Item 1. Business

Overview

We are a global digital health (mHealth) company serving our users with dynamic mobile health solutions. We employ what we believe to be a revolutionary approach to health management. We have developed unique ways for people to analyze and personalize their chronic disease management as it relates to diabetes. We have accomplished this through the combination of wearable technology and health monitoring. In addition, our solution is changing the way people with diabetes can manage their condition as a result of us providing them with continuous, as opposed to periodic, data.

Our flagship product, Dario, which we also refer to as our Dario Smart Diabetes Management Solution, is a mobile, real-time, cloud-based, diabetes management solution based on an innovative, multi-feature software application to track and monitor all facets of diabetes, combined with a stylish, 'all-in-one', pocket-sized, blood glucose monitoring device, which we call the Dario Blood Glucose Monitoring System, that essentially turns a smartphone into a glucometer. In addition, our product offerings will focus on the newly launched Dario Engage software platform, where we digitally engage with Dario users, assist them in monitoring their chronic illnesses and provide them with coaching, support, digital communications and real time alerts, trends and pattern analysis. The Dario Engage platform can be leveraged by our potential partners, such as clinics, health care service providers, employers and payers for scalable monitoring of people with diabetes in a cost-effective manner, which we expect will open for us additional revenue streams. Finally, we intend to utilize the data we obtain from our Dario Smart Diabetes Management Solution and Dario Engage platform to develop our upcoming healthcare analytics program, Dario Intelligence. As such our solutions will span the full spectrum of disease monitoring, user-centric engagement, coaching tools, and big data and intelligence solutions. We have obtained regulatory clearance or approval for the Dario Blood Glucose Monitoring System in the U.S., Canada, the E.U., Israel and Australia, among others. We believe that our targeted health platform is a highly personalized preventative and proactive approach to health improvement based on individual behavior and treatment, tailored to each person's unique profile.

Our principal operating subsidiary, LabStyle Innovation Ltd., is an Israeli company with its headquarters in Caesarea, Israel. We were formed on August 11, 2011 as a Delaware corporation with the name LabStyle Innovations Corp. On July 28, 2016, we changed our name to DarioHealth Corp.

Diabetes is a disease where insufficient levels, or a total absence, of the hormone insulin produces high levels of glucose in the bloodstream, which can lead to long term adverse effects on a patient's blood vessels, which in turn can lead to heart attack, stroke, high blood pressure, blindness, kidney disease and nerve damage. As part of controlling blood sugar, many patients must self-monitor their blood glucose levels using home testing kits (called glucose meters) and treat high and low blood sugar episodes accordingly to avoid the complications from the disease. We believe that allowing patients to properly monitor the disease, provide actionable insights in real-time and create an online link to healthcare providers, will ultimately improve patient outcomes and reduce healthcare costs - both critical advantages for the healthcare industry.

The latest studies released by the Centers for Disease Control and Prevention (CDC) report that over 30.3 million Americans have diabetes. More alarming is that an addition 84.1 million Americans have what is known as prediabetes, which when left unmanaged will most likely become diabetes in a matter of a few years. This number equates to 33% of the adult population in the U.S. In addition, there is a strong correlation between obesity and the development of diabetes. Many believe, including the National Center for Biotechnology Information (NCBI), that diabetes is one of the worst epidemics of the 21st century. The diabetes epidemic is not only felt in terms of its impact on health but also represents a financial burden on the U.S. and global healthcare system.

Importantly, one out of three American adults with prediabetes can, in fact, reverse the condition if they take action, and the health of people with diabetes can be improved through measurement adherence and medication. Furthermore, studies have shown that a 1% reduction in the concentration of glycated hemoglobin (also known as HbA1C or A1C) in human blood goes beyond better diabetes control. That reduction may translate into a 15% to 20% decrease in heart attack and stroke risk and a 25% to 40% lower risk of diabetes-related eye or kidney disease. Better diabetes management may result in substantial savings in the costs related to diabetes and healthcare in general, through the avoidance of health complications and related expense savings. A 2013 NCBI study found that improved A1C levels are associated with healthcare savings.

Based on data we have extracted from our user data base, using the Dario Smart Diabetes Management Solution leads to an improvement in glucose level of the users and lowers their A1C levels over time. This data also indicated that higher engagement of users with the Dario Smart Diabetes Management Solution increased the level of A1C improvement. Specifically, we found A1C improvements during a period of 3 months, 6 months, and 9-months for people who began the study with A1C levels of more than 8%, 9%, and 10%. The key finding was that, on average, every segment of the users showed an improvement compared to their A1C level when they started to use the Dario Smart Diabetes Management Solution, while 75% of participants which started to use the Dario Smart Diabetes Management Solution with A1C levels higher than 9% were able to lower their A1C levels during that period with as little as 3 glucose level measurements per day.

Beginning in September 2013, the Dario Smart Diabetes Management Solution has been reviewed and approved or cleared by various global regulatory authorities. We received the CE Mark in 2013 which allowed the Dario Smart Diabetes Management Solution to be marketed and sold in 32 countries across Europe as well as in certain other countries worldwide. This clearance was followed by approval received from Israel's Ministry of Health in July 2014, and we received Therapeutic Goods Administration (TGA) certification to market the Dario Smart Diabetes Management Solution in Australia in December 2014, followed by approval from Health Canada in May 2015.

In December 2015, we announced that we received 510(k) clearance for the Dario Blood Glucose Monitoring System from the U.S. Food and Drug Administration (FDA), including its components, and the Dario Smart Diabetes Management app on the Apple iOS 6.1 platform and higher. Achieving FDA clearance was a significant milestone and we commenced marketing and commercialization of the Dario Smart Diabetes Management Solution in the United States in the first quarter of 2016. On September 7, 2017, we announced that the FDA granted 510(k) clearance for the Dario Blood Glucose Monitoring System to be used with certain leading Android smart mobile devices. This FDA clearance allowed us to widen our potential customer base in the United States commencing in the last quarter of 2017.

We have recently completed the development of a version of the Dario Blood Glucose Monitoring System that connects to an iPhone 7 through the Lightning connector instead of the missing audio jack. On May 18, 2017, we completed the Notice of Change for the CE Mark for the Apple® Lightning connector to connect to Apple smart mobile devices that do not come with 3.5 mm audio jack. Additionally, we have registered with the TGA in Australia for the Lightning-enabled Dario Blood Glucose Monitoring System. Sales of this version of the device in Australia commenced during January 2018. We plan to complete the regulatory process with the FDA and to start marketing this version of the device in the U.S. upon approval.

We intend to continue to generate demand through a digital direct-to-consumer marketing campaign. Customers are currently able to purchase the Dario Blood Glucose Monitoring System directly through our proprietary e-store where they can also subscribe to a subscription-based service. In July 2016, we signed an agreement with GEMCO Medical, an established healthcare distributor and a pioneer in the diabetes supply industry, to become the first authorized United States distributor of the Dario Blood Glucose Monitoring System and to complement our direct-to-consumer model to further expand and strengthen its presence in the United States. Also during July 2016, we launched our Australian proprietary e-store where customers may subscribe to a subscription-based service, and in September 2017 we launched our proprietary e-store in Germany offering our product to customers in Germany.

Although we are initially targeting only the large and growing Blood Glucose Monitoring System, or BGMS, market, we believe our invention has the potential to cover dozens of laboratory tests of bodily fluids (including blood, urine and saliva) that could potentially be undertaken using a smart mobile device, including blood coagulation, cholesterol, HIV and others. Our goal is to develop additional interfaces for other chronic illnesses and health conditions, thereby empowering people around the globe to put themselves in control of managing their medical conditions while leveraging our platform. By doing so, we believe that we will be positioned to make a dramatic impact on the lives of millions of people that face daily lifestyle and medical challenges. Our technology provides a body-fluid testing apparatus for performing metered measurement of samples utilizing: (i) a lancing device to obtain a test sample (blood in the case of the Dario Blood Glucose Monitoring System); and (ii) an adaptor specifically designed to connect a strip devised to absorb the sample, which then produces an electric signal indicating the level of the substance tested for in the sample. The adaptor is then connected to a smart mobile device via the headphone or Lightning jack, which allows the test signal to be transmitted to the smart mobile device, which will then utilize our software application to obtain and display the test result on the device. This is coupled with a set of software features available via a smart mobile device application as well as cloud-based services, in real-time. We are presently pursuing patent applications in multiple jurisdictions covering the specific processes related to blood glucose level measurement as well as more general methods of rapid tests of body fluids using mobile devices and cloud-based services. On August 5, 2014, we were issued a U.S. patent (No. 8,797,180) relating to how the Dario Blood Glucose Monitoring System draws power from and transmits data to a smart phone via the audio jack port, on September 8, 2015, we were issued a U.S. patent (No. 9,125,549) that broadens our registered patent No. 8,797,180 to include testing of other bodily fluids through an audio jack connection, and on November 11, 2017, we were issued a U.S. patent (No. 9,832,301) that enhances the way the Dario Blood Glucose Monitoring System communicates with users' smartphone devices. We believe these represent critical intellectual property recognition and a significant initial validation of our intellectual property efforts.

DarioHealth's Solutions

Our products are centered around the Dario Blood Glucose Monitoring System, the Dario Smart Diabetes Management Solution, the Dario Engage platform, which provides support to users of the Dario Smart Diabetes Management Solution, and Dario Intelligence, which utilizes user data and is intended to be an analytics tool that can assist healthcare providers in the treatments and predictability of diseases.

Dario Smart Diabetes Management Solution

The Dario Blood Glucose Monitoring System is the original, all-in-one smart glucose meter. It syncs with the Dario Smart Diabetes Management app to measure, record and track blood glucose levels. In addition, the app records carbohydrate intake, insulin medication, and physical activity.

The flagship brand of DarioHealth, the Dario Smart Diabetes Management Solution, initially launched in the United Kingdom in the first quarter of 2015 and has since expanded to New Zealand, Israel, Canada, Australia, the United States and Germany. We earn a majority of our revenues in the United States. We manufacture our products using subcontractors and distribute our proprietary device ourselves. We believe this control over end to end production allows us to maintain high standards of quality control. To that end, we are the owner of several patents relating to our technology and processes.

We use our patented technology to enhance the way our Dario Blood Glucose Monitoring System communicates with users' smartphone devices. In the U.S. market, the Dario Blood Glucose Monitoring System connects to a smartphone via a coin-sized dongle that does not require a battery for operation; rather, it relies on the smartphone's battery as its power source. In the effort to reduce battery-dependence and ensure 100% real-time data capture, the application is able to monitor and adjust power levels on smartphones accordingly to enable sufficient output with minimal reliance.

The benefits and features of our product include:

- **Comfort -** *Sleek, pocket-sized all-in-one smart glucose meter simplifies diabetes management*
- **Record -** *Automatically records every blood glucose measurement without ever having to sync your meter*
- **Share -** *Easily share results with loved ones and your healthcare team takes diabetes management to a new level*
- **Emergency Hypo Alerts -** *Built-in, emergency hypo alert feature with GPS location adds an extra safety measure*
- **Track -** *Tracking activity and counting carbs is made easy with a scanner feature that syncs with a database of nearly 500,000 foods*

Available worldwide in the Apple App Store and Google Play Store, our user-friendly Dario Smart Diabetes Management mobile app is known for its accuracy and ease-of-use. The Dario Smart Diabetes Management Solution is accessible with affordable pricing models, including subscription plans. Our pricing is often in line with current co-payments and sometimes it may even be less than current out of pocket costs. In addition, many of our customers in the United States get coverage through their flexible spending or health savings accounts or with our third party healthcare integrations.

Items for sale in the Dario Shop

Customers are able to purchase the Dario Blood Glucose Monitoring System through our direct to consumer online shopping experience, where we offer:

Dario Blood Glucose Monitoring System

All-in-one pocket size glucose meter, with 10 Disposable Covers and 10 Lancets.

Dario Blood Glucose Test Strips

Blood Glucose Test strips for use with the Dario Blood Glucose Monitoring System. Test strips come in boxes of 50 and 100. In addition, test strips are available on a pay-as-you-go basis or a subscription plan.

Dario Glucose Control Solutions

Level M and Level H control solutions for use with the Dario Blood Glucose Monitoring System.

Dari Sterile Lancets

Sterile Lancets for use with the Dario Blood Glucose Monitoring System.

Dario Disposable Covers

Protects the mobile device from direct contact with blood while measuring with the Dario Blood Glucose Monitoring System.

Our revenues are derived from sales of Dario's components, including the Dario Blood Glucose Monitoring System itself, and principally from the recurring sale of our disposable cartridges with test strips and other consumables. Our customers receive access to the Dario Smart Diabetes Management application, which incorporates tools to help diabetic patients manage their disease. Importantly, our revenue model is driven by the fact that only our test strips, purchased through us and our partners, are able to be utilized with the Dario Blood Glucose Monitoring System and software, so it is our expectation that we will be the sole source for Dario Blood Glucose Monitoring System compatible test strips. In addition, we anticipate generating revenues in the future from our second revenue pillar that we call the Dario Engage platform, our software platform. We plan to offer this software platform to healthcare providers such as insurers, self insured employers, diabetes clinics, certified diabetes educators and other third party providers of coaching and monitoring services for people with diabetes for a monthly service fee. Our third revenue pillar, which we are planning to introduce at a later stage, is the Dario Intelligence platform. The Dario Intelligence platform will take advantage of the large amount of data that will be collected through our servers through the use of our Dario Smart Diabetes Management Solution and the Dario Engage platform, in order to develop predictive models and artificial intelligence algorithms as detailed below.

We believe the following features of our Dario Smart Diabetes Management Solution and the manner in which we plan to market and distribute the product will help position Dario to gain users and drive revenue growth:

- *Look and Feel*. While utilizing the same state of the art electro-chemical, blood-based measurement techniques as standard glucose monitors offers familiar usability, the Dario Blood Glucose Monitoring System is easily integrated with the patient's own smart mobile device that offers a distinctive look and feel. Furthermore, unlike the market standards, the Dario Blood Glucose Monitoring System has an integrated lancing device and disposable strip cartridge. This eliminates the need for a separate glucose monitor, lancing device and strip vial and, we believe, makes the Dario Blood Glucose Monitoring System among the smallest footprint in the market. Furthermore, Dario has novel applications incorporating software tools to help diabetic patients manage their disease.

- *Large Market of Potential Users*. Our reliance on diabetics within the massive smart mobile device market gives us an established potential user-base. According to recently published Mobile Fact Sheet by Pew Research Center, or PRC, 77% of Americans own a smartphone, up for just 35% in PRC's first survey of smartphone ownership conducted in 2011. Between the age of 18 to 29, 94% have a smartphone, and between the age of 30 to 49, 89% own a smartphone. We believe that it is reasonable to assume that the percentage of smart mobile device users with diabetes mirrors that of the general population.

- *Marketing and Distribution*. In the U.S., Germany and Australia we have our own direct to consumer marketing channel to support our sales efforts. In the U.S. we also plan to contract with partners to provide coaching services to employers and health care providers. In the United Kingdom and Canada, we use distribution partners to market and sell the Dario Blood Glucose Monitoring System. This approach enables a direct communication channel with the market and the diabetic community. This approach is also designed to effectively create brand awareness with a significantly reduced use of our capital resources versus the amounts required via the traditional, offline retail channels.

- *"Expanding the Pie."* Our goal is to obtain significant market share using technological innovations and by expanding the total BGMS market size "pie" by offering a user-friendly diabetes management solution that utilizes an existing platform and installed potential user base (smart mobile devices and smart mobile device users, respectively). We will endeavor to emphasize the user friendly nature of the Dario Smart Diabetes Management Solution to expand the total BGMS market size by encouraging existing diabetes patients to test their glucose levels more frequently and by encouraging the "non-testing" population to adopt glucose monitoring.

- *Competitive Cost of Goods Sold.* Based on our market research and discussions with our test strip manufacturer, we believe that our anticipated outsourced manufacturing cost of the test strips is similar to our estimate of our competitors' cost for existing single-use disposable strips. In addition, we believe the manufacturing costs of our Dario Blood Glucose Monitoring System are competitive with those of the leading glucose meters.

- *Opportunities for Commercialization Partnerships.* Healthcare and pharmaceutical company entrants into the BGMS market (such as Perigo and Sanofi) are licensing and/or acquiring technologies, seeking differentiation, thereby providing us with opportunities for more rapid commercialization through partnerships. Therefore, we plan to explore the possibility of entering into commercialization agreements, including an upfront payment, supply agreement and royalty payments, with strategic partners.

Currently there are a few new market entrants in the BGMS space that are attempting to utilize computer or smart mobile device connectivity, including Sanofi IBGStar, Medisana GlucoDock, Philosys Gmate Smart, One Drop and iHealth Align. We believe that none of these devices offer the integration of an all-in-one unit that includes a lancing device and strip cartridge as the Dario Blood Glucose Monitoring System does. We further believe that these competitors provide limited capabilities over their diabetes management apps as compared to the Dario Smart Diabetes Management application.

In summary, we believe we bring an entirely new dynamic to the BGMS device market. We believe that our primary business model for the Dario Smart Diabetes Management Solution is clean and simple - sales of proprietary glucose test strips (the disposable component) directly to consumers, leveraging an installed base of mobile phones. The entire mechanism consists of a small and simple adaptor combined with a strip which is connected to the smart mobile device's headphone jack, or Lightning connector, with the strip test results being read by the smart mobile device.

We also believe that this business model is the foundation for a broader push to improve the health care system. An application that is always in your pocket and used multiple times per day is an ideal platform to support people living with diabetes, their health care providers, and health systems. Our application is designed to improve health outcomes and reduce costs through increased insights, motivating tools and automation.

Dario Engage

Dario Engage represents our new software platform which is intended to help healthcare providers in all aspects of user engagement, including enrollment, coaching and ongoing communications with the end-users. We believe Dario Engage will assist healthcare providers and employers by offering them an open platform, thereby empowering them to implement their own clinical expertise in a more digital, user-centric and efficient way. We believe this approach can address two burgeoning issues: improving quality of health for individuals, which in turn will lower healthcare costs across the spectrum.

The Dario Engage platform empowers health providers offering diabetes services with:

- Monitoring - *100% data capture, real-time data sync*
- Engagement - *Personalized platform, including mobile app, digital guiding, community, and support*
- Management - *Clinical program integration, automated processes, and reporting*

We believe that the Dario Engage platform is a user-centric, data-driven health solution which allows each person to get the right care, at the right time, to effectively manage their chronic conditions, such as type 1 and 2 diabetes, gestational diabetes, and prediabetes.

Dario Intelligence

The last pillar in our planned suite of product offerings is Dario Intelligence. We are planning to offer Dario Intelligence, which utilizes the large amount of data that will be collected on our servers through the use of our Dario Smart Diabetes Management Solution and the Dario Engage platform, to develop predictive models and artificial intelligence algorithms to meet the potential demand of intelligence-driven analytics that healthcare providers will be looking for to improve their services.

We believe the future development of Dario Intelligence will present an opportunity in the chronic disease management field and will help us leverage our data capturing platform, to be used for big data analytics, research, EMRs (Electronic Medical Record), and the development of real-time and predictive-based health management solutions.

- Data Collection - *Real-time data collections and aggregation*
- Analytics - *Dario big data analytics solution*
- Discovery - *Data discovery and analysis*
- Insights - *Predictive models and AI driven insights*

Through Dario Intelligence, we believe we may be able to develop innovative artificial intelligence and machine learning approaches that will enable us to transform big data into individual and specific predictive models to meet the demands of both consumers and the health care providers. We believe that by coupling data and algorithmic development, Dario Intelligence may offer in the future the way to detect, predict and intervene most effectively for each individual using our platform.

Our Vision for Dario Intelligence

We intend to offer solutions built from a foundation of rich and robust data, ultimately transforming our revenue model from simple product volume to product value. We believe that the current ineffective care of diabetes and other chronic conditions reflects a need for more intelligent and nuanced approaches relating to predictive behaviors and real-time care. We believe that financial incentives tied to patient outcomes have the potential to generate sizeable revenue growth for us, and position us as a leader in transforming the management of diabetes. Achieving the strategic vision of Dario Intelligence requires multiple steps and evolutions in order to harness the power from the data generated by a connected community, and subsequently impact individual behavior.

Phase 1 – Collect & Analyze

As the Dario Smart Diabetes Management Solution user-base has grown, we have collected a significant amount of user data and information. Initial efforts in Phase 1 are centered around an understanding of our user-base. Compiling basic demographic data such as age, gender, country geography, etc., and establishing links to test strip usage and blood glucose control are critically important. Further, examining variation amongst population cohorts in both utilization and blood glucose outcomes is fundamental to future targeting and retention campaigns. We intend to generate analytical insights on individuals who achieve improvement in blood glucose levels in order to develop an in-depth understanding of those who maintain such an improvement over time, which we believe will form the backbone of interventional program development that we intend to generate with our potential partners.

Phase 2 – Expand Collection of Data Types, Experiment with Outreach Campaigns

As continued growth of users accelerates globally, concerted efforts will be undertaken at expanding the collection of highly relevant data types. In addition, we intend to expand data collection on user data points such as carbohydrate intake, exercise and physical activity, medication and medication adherence, GPS location, time stamps, insurance coverage type/status. When more data elements are gathered, the intention is for Dario Intelligence to apply its artificial intelligence and machine learning capabilities to enhance understanding of individuals and detailed profiles that will be generated with comprehensive user information such as the type of advertising that was used to recruit patients or how frequently an individual interacts with the Dario Smart Diabetes Management app. The end result is intended to be a cohort-specific predictive model that can be used to develop interventional programs on a wide basis.

Phase 3 – Monetize De-Identified Data, Learn, Expand Intervention Programs

We believe that pharmaceutical companies, device manufacturers, insurers, governments, researchers, advertisers and start-up companies would be willing to pay for the de-identified data that we will obtain through our Dario Intelligence platform. As such, we believe there is an opportunity to develop a consistent revenue stream from this data.

In addition to data that reports on activity and performance of the population as a whole, we believe that will be able to provide access to a globally connected community of patients and consumers. We are planning to monetize access to specific patient cohorts, designing programs to improve utilization, engagement, and outcomes. These future programs will be adapted, modified, and enhanced based upon continuous learning and additional data inputs from external third parties that we are planning to engage with in the future. Pay for performance models will be developed and experimented with, as we will implement next-generation artificial intelligence and machine learning programs designed to influence user’s behavior.

Background on Diabetes

Diabetes is a chronic disease that arises when the pancreas does not produce enough (or ceases to produce) insulin, or when the body cannot effectively use the insulin it produces. Insulin is a hormone made by the pancreas that enables cells to take in glucose from the blood and use it for energy. Failure to produce insulin, or of insulin to act properly, or both, leads to raised glucose (sugar) levels in the blood (hyperglycemia), which can be detected with a blood test. Excess glucose in the blood has been shown to cause damage to blood vessels and is thus associated with long-term damage to the body and failure of various organs and tissues, including the retina and the kidneys. There are three main types of diabetes:

Type 1 diabetes, sometimes called insulin-dependent, or juvenile, diabetes, is caused by an auto-immune reaction where the body's defense system attacks the insulin-producing cells located in a person's pancreas. The reason why this occurs is not fully understood. People with Type 1 diabetes produce very little or no insulin. The disease can affect people of any age, but usually occurs in children or young adults. People with this form of diabetes need injections or infusions of insulin every day in order to control the levels of glucose in their blood. Type 1 diabetes patients constitute approximately 10% of the overall number of patients, but are much more extensive users of BGMS, as these diabetics need to measure their glucose levels 4-10 times day (versus once or twice a day for most Type 2 diabetic patients). The vast majority of Type 1 diabetes patients are insulin dependent.

Type 2 diabetes is sometimes called adult-onset diabetes and accounts for at least 90% of all cases of diabetes. It is characterized by insulin resistance and relative insulin deficiency, either of which may be present at the time that diabetes becomes clinically manifest. The diagnosis of Type 2 diabetes usually occurs after the age of 40 but can occur earlier, especially in populations with high diabetes incidence. Type 2 diabetes can remain undetected for many years and the diagnosis is often made from associated complications or incidentally through an abnormal blood or urine glucose test. It is often, but not always, associated with obesity, which may contribute to insulin resistance and lead to elevated blood glucose levels. A growing portion of the Type 2 diabetes patients are insulin dependent or use insulin as part of their treatment.

Gestational diabetes (GDM) is a form of diabetes consisting of high blood glucose levels during pregnancy. It develops in one in 25 pregnancies worldwide and is associated with complications in the time period immediately before and after birth. GDM usually disappears after pregnancy but women with GDM and their offspring are at an increased risk of developing Type 2 diabetes later in life. Approximately half of women with a history of GDM go on to develop Type 2 diabetes within five to ten years after delivery.

We also believe we will be able to support patients with *pre-diabetes*, also called metabolic syndrome. Metabolic syndrome is a combination of medical disorders that increase the risk of developing cardiovascular disease and diabetes. According to the National Institutes of Health, during the years 2009-2012, 37% of U.S. adults ages 20 years or older had pre-diabetes, with 51% of those ages 65 years or older, leading the NIH to estimate that approximately 86 million persons in the U.S. had pre-diabetes in 2012. This population is typically prescribed with periodic lab-based glucose level testing (which requires a doctor visit, significantly reducing the compliance level) and typically does not involve the utilization of self-monitoring glucose devices.

The Diabetes and BGMS Markets and the Dario Smart Diabetes Management Solution

Diabetes is a growing epidemic for which no cure exists, but for which treatments (including a regimen of frequent blood glucose testing) are available. The medical journal Lancet has reported that the number of worldwide diabetics has doubled over the past thirty years. While about 70% of the increase has been attributed in the Lancet report to population growth and aging, the balance was linked to changing diets, rising obesity levels and less physical activity.

According to the information published by the International Diabetes Foundation (IDF), in its 8th addition of the "IDF Diabetes Atlas" published in 2017, approximately 425 million people worldwide were estimated to have diabetes in 2017, or one in eleven adults. The greatest numbers are between 40 and 59 years old. If these trends continue, by 2045, some 629 million people are forecasted by the IDF to have diabetes. According to the IDF Diabetes Atlas, in Europe, there were 58 million adults over the age of 20 with diabetes in 2017 and approximately 30.2 million adults over the age of 20 with diabetes in the U.S. in 2017. In the U.S., one in four adults has diabetes. An additional 86 million U.S. adults had pre-diabetes in 2012, which puts them at high risk for developing Type 2 diabetes according to the ADA. Approximately 187 million adults with diabetes live in China and India, with approximately 12.4 million in Brazil and 8.5 million in Russia.

It is estimated that the costs of diabetes complications account for between 5% and 10% of total healthcare spending in the world. In the United States, the ADA estimated that the total cost of diagnosed diabetes has risen from $174 billion in 2007 to $245 billion in 2012. Early diagnosis of warning signs and ongoing monitoring of diabetes are the keys to the prevention and treatment of the disease, with blood glucose monitoring being the primary method of diagnosis and disease management, coupled with matching blood glucose readings with food (i.e., carbohydrate) and insulin or other medication intake.

Since blood glucose self-monitoring is a key part of managing diabetes, the market for BGMS products required to service these many patients is also large. As reported in a press release published by Transparency Market Research, the blood glucose self-monitoring market is currently estimated to be $12 billion and is expected to grow to an estimated $27 billion by 2022. The same source also notes that the total diabetes management market was $50.8 billion in 2011 and is estimated to reach $98.4 billion by 2018. The biggest drivers for growth in the diabetes device market will be the increased prevalence and awareness of diabetes. The U.S. is the largest market, contributing close to 40% of the global market for these devices. In fact, the BGMS testing market, which barely existed in 1980, now accounts for approximately a quarter of the entire in vitro diagnostics industry.

Key factors driving market growth include increasing number of people with diabetes, growing patient awareness, technological advancements and increasing number of patients adopting blood glucose self-monitoring. In addition, the affordable cost of blood glucose test strips, and increase in daily monitoring, are also expected to contribute to market growth. As such, BGMS represents a large market that has grown significantly over the past 30 years and is expected to continue to grow.

It is important to note that the diabetic market is a first point of entry for the Dario Smart Diabetes Management Solution and we believe that our goal of providing mHealth health solutions for a variety of chronic and wellness related conditions based on mobile device testing will grant us access to a much larger market. The Dario Smart Diabetes Management Solution is targeted at the mHealth app market currently estimated at $10 billion globally with expected annual growth of 15% to $31 billion by 2020.

Industry Background and the Dario Smart Diabetes Management Solution Opportunity

From a competition perspective, four companies currently dominate the BGMS business, controlling more than 90% of the market: Roche Diagnostics (part of Hoffman-LaRoche), LifeScan (a Johnson & Johnson company), Bayer Healthcare Division, and Abbott Laboratories. These "big four" offer a wide variety of BGMS products and have led the market since the late 1990s. Numerous second-tier and third-tier competitors, including several in Asia, hold the remaining 10% of the market. We believe that the BGMS offerings by all vendors are comparable, with mild differentiation of the main feature sets of the devices. This is akin to the differentiation among personal computers (PCs) during the 1990s and 2000s, where most of them had the same key feature set of Microsoft Windows and Intel Processors.

We believe that the increasing global adoption of mobile phones has created an opportunity for disruption in BGMS market. The Dario Smart Diabetes Management Solution, which features our compact all-in-one Dario Blood Glucose Monitoring System device coupled with iOS, Android and web-based apps, is intended to eliminate the need for separate glucose monitors, carb-calculators and cumbersome dependency on wired, computer-based logging tools. Our intention is for Dario to not only deliver the best blood glucose monitoring experience, but also use the unique capabilities of mobile smart mobile devices to deliver better health outcomes.

With respect to the U.S. BGMS market, the principal barriers to entry (all of which we believe the features of the Dario Smart Diabetes Management Solution can overcome) can be summarized as follows:

- *Achieving significant product differentiation in the eyes of diabetes patients or insurance payers*. We believe that Dario offers a novel design that is compatible with the usability of the current devices, yet offers a modern look and feel when compared to products in the marketplace. Marketing of the product directly to consumers will emphasize the product's distinguishing attributes, without incurring the significant product introduction expenses typically incurred for the marketing of a standard glucose meter via traditional retail channels.

- *Costs.* We anticipate that low manufacturing costs for the dongle (the part of the Dario Blood Glucose Monitoring System that attaches to the phone jack) and the similarity to our competitors' estimated cost of manufacturing the strips, when coupled with our direct-to-consumer marketing, creates the potential for providing us with a meaningful cost advantage versus most vendors of traditional glucose meters.

- *Difficulty obtaining shelf space at the pharmacy*. With many products on the market, a new entrant has to battle for visibility on the shelf. The Dario Smart Diabetes Management Solution will limit this obstacle by emphasizing internet based direct-to-consumer marketing and sales.

- *The challenge of influencing diabetes specialists to recommend another BGMS product to patients*. We make efforts to introduce and present the Dario Smart Diabetes Management Solution to the medical community through our participation in academic and professional conferences. The Dario Smart Diabetes Management Solution will mainly be marketed directly to our target users, who we believe are increasingly becoming the primary decision makers in choosing their glucose monitoring equipment.

We believe that Dario's specific features and trends in the marketplace create a significant opportunity to penetrate the market and effectively compete with and gain market share against the established players.

Utilization of Mobile Health Applications

Smart mobile device applications combine easy-to-use interfaces with continuous internet access to create transformational mobile health solutions (often called mHealth). Although the potential benefits of mHealth solutions have been widely discussed for over a decade, the market is now starting to emerge from the trial phase. According to a press release issued on December 15, 2017 by Research and Markets, the global mobile health (mHealth) application market in projected to be valued at $28.32 billion in the year 2018 and is expected to reach $102.35 billion by 2023, growing at a CAGR of 29.3% during the period. According to an August 2017 study by Grand View Research, the global mHealth market is expected to reach $111.8 by 2025, growing at a CAGR of 44.2%. The need to reduce long waiting periods in order to access health care facilities from specialists is the primary driver responsible for the adoption of mHealth. We believe that Dario is designed to play directly into this market trend.

In addition, the Grand View Research report states that the availability of applications for consumers is continuing to grow rapidly, especially healthcare apps. These applications assist users in self-management of wellness, disease and chronic abnormalities. This has led to the patient playing an important and active role in staying informed and updated on their own healthcare decisions, contributing to the rise in adoption of mHealth apps globally.

Healthcare is gradually transitioning towards a precision-based model, better known as a "personalized medicine" model. mHealth is becoming a widespread trend due to the introduction of technologies such as electronic medical records, remote monitoring, and other communication platforms. mHealth leverages the 4Ps of healthcare delivery: personalized, predictive, participatory, and preventive, to ensure delivery of optimal care to its users. In addition, the growing penetration of smartphones, especially in low- & middle-income countries and the growing focus on utilizing mobile technology to leverage healthcare delivery and ensure a population health plan is anticipated to benefit the market.

Currently more than 70% of the mHealth applications in major “app stores” are adhering to the paid business model according to Research2Guidance. With more and more traditional healthcare providers joining the mobile applications market, we expect the business models will broaden to include healthcare services, advertising and drug sales revenues. According to Research2Guidance, with the growing sophistication level of mHealth applications, only 14% of the total market revenue in the next 5 years will come from application download, advertisement and transaction revenue, while 76% of total mHealth application market revenue will come from related services and products. We believe that Dario is well-positioned to benefit from that trend.

The Dario Smart Diabetes Management Solution includes the Dario Blood Glucose Monitoring System and software application for people with diabetes. Dario currently allows users to easily record, analyze, transmit and store key data points such as glucose level, insulin and carbohydrate intake. Moreover, the Dario Smart Diabetes Management application provides knowledge and motivation with an aim of improving health outcomes. In addition, we are developing software for health care providers and payers to help better support patients and intelligently manage large patient populations.

Sales and Marketing

Our initial marketing efforts in the United States were focused on the early adopter users who have diabetes and who are paying out of pocket for their monitoring tools to manage their chronic condition, and we have concentrated our efforts in gaining market share and brand awareness through direct to consumer marketing efforts. In 2018, we plan to expand our marketing efforts to the insured population by offering our Dario Engage platform to a variety of healthcare providers who are supporting and coaching individuals with diabetes. We believe this will help us to diversify our revenues, from only selling our Dario Blood Glucose Monitoring System and its consumables, to revenues generated from providing online real time monitoring, supervising and coaching capabilities to all relevant healthcare providers who support individuals with diabetes.

In Australia, we revised our sales and marketing strategy during the third quarter of 2016, and moved to a hybrid direct to consumer model in combination with an on the ground out-sourced channel sales organization staff focused on the pharmacies. This model will allow us to accelerate our penetration into this market, while building a diabetes community via direct engagement through our digital marketing campaigns and online store.

In the U.K., the Dario Blood Glucose Monitoring System is a fully reimbursed product distributed by a new distributor since the second quarter of 2016. The Dario Blood Glucose Monitoring System is now available via all main pharmacies in the U.K. Our sales and marketing efforts have been focused on wholesalers, pharmacies, HCP’s (Health Care Professionals), diabetes educators and hospitals via the distributor. This has created awareness and understanding of the value proposition we offer to people with diabetes. In addition, we will be focusing on increasing our presence in the U.K. market via our direct to consumer strategy, utilizing the country wide availability of the strips in pharmacy and clinical awareness of the product via the healthcare providers.

In Canada, the Dario Blood Glucose Monitoring System is available through major pharmacy chains across Canada that includes brands like Safeway and London Drugs. We also offer consumers the ability to buy direct via our online platform or to get their prescriptions serviced online via Bayshore. Similar to the U.K., in Canada we work on both promoting and marketing Dario to the medical establishment via our distributor and expanding its awareness via our direct to consumer strategy which we have been ramping up.

Through our experience in the U.S., U.K., Canada, Australia and additional markets, we are poised to open up additional markets in 2018 that have a high diabetes penetration rate and fit our hybrid business model.

The Dario Smart Diabetes Management Solution is an internet-driven product. Dario was designed for the mobile age and will be powered by the internet as an effective route of launching and marketing new consumer products. We currently sell directly to consumers and also collaborate with distributors in various jurisdictions. It is estimated that a typical Type 1 diabetes patient, who is testing his or her blood sugar 4 to 10 times a day, uses 120 to 300 strips each month, which creates the potential for a substantial and predictable revenue stream.

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

As a precursor to the Dario Engage platform, in December 2014, we entered into an agreement with Israel's leading healthcare HMO, Maccabi Healthcare, to implement a comprehensive digital suite for patients and professionals. The agreement with MOMA (Maccabi TeleCare unit) represented the beginning of an additional revenue channel. We believe the Dario Engage channel for revenues presents a significant potential based on software licensing and added value services with HMOs and other strategic partners worldwide. The Dario application for MOMA is a proprietary customized diabetes management solution that enables remote treatment for diabetes which aims to improve overall outcomes for patients leveraging mHealth technology for effective engagement of health care professionals.

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

Manufacturing

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

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

Insurance Reimbursement

In the United States and in other jurisdictions such as Germany and England, we expect that Dario's test strips should generally be available for full or partial patient reimbursement by third-party payers. We expect to work with third-party payers in the countries into which we expect to market Dario in order to establish coverage for test strips, although we cannot be sure of coverage being obtained. In April 2014, we announced the receipt of reimbursement coverage for the use of the Dario Blood Glucose Monitoring System in Italy, making 600,000 Italians eligible for reimbursement coverage. In June 2014, we were granted (effective September 1, 2014) reimbursement status in England, Wales, Scotland and Northern Ireland for strips and lancets to be utilized together with the Dario Blood Glucose Monitoring System. In December 2014, we were granted reimbursement status for the Dario test strips Australia. In May 2015 we launched Dario in Canada and the majority of Canadian medical plans are now covering test strips for the Dario Blood Glucose Monitoring System with reimbursement. We expect the balance of Canadian insurance plans to provide reimbursement coverage in the near future. We are planning to pursue reimbursement coverage in other jurisdictions.

Clinical Trials

As part of our CE Mark clearance, in 2013 we conducted positive User Performance studies for the Dario Blood Glucose Monitoring System in Israel with 161 diabetic patients. The aim of this study was to collect measurement data from capillary blood with defined distribution of glucose concentrations in order to perform system accuracy evaluation according to ISO 15197:2013, the current international standard requirements for BGMS systems. The results of this study showed that the test strips are well within the limits for system accuracy defined by ISO 15197:2013 in that 100% of results fell within zones A and B of the Consensus Error Grid for all systems, which means that the system accuracy requirements of the ISO 15197:2013 have been met. The acceptance criteria for accuracy of BGMS per ISO 15197:2013 is "95 % of the individual glucose measured values shall fall within ± 0,83 mmol/l (±15 mg/dl) of the measured values of the manufacturer's measurement procedure at glucose concentrations < 5,55 mmol/l (<100 mg/dl) and within ± 15% at glucose concentrations ≥ 5,55 mmol/l (≥100 mg/dl)".

In January 2015, we completed, and in March 2015, we announced positive results from, a required User Performance evaluation study in the U.S. to evaluate the accuracy of blood glucose level results obtained from fingertip using the Dario Blood Glucose Monitoring System compared to reference equipment (YSI 2300 STATPLUS) and to evaluate the ease of use of the Dario Blood Glucose Monitoring System by the first time user. This study was in connection with our regulatory submissions for the product in the U.S. and Canada and in accordance with ISO 15197:2013. The study was performed at Remington Davis Clinical Research in Columbus, Ohio with the Dario Blood Glucose Monitoring System and included 368 participants with varying demographics. As required by the FDA, the study was approved by the institutional review board (IRB) which supervises the clinical studies performed in their institutions.

The purpose of the study was to demonstrate the accuracy of the Dario Blood Glucose Monitoring System compared with the YSI reference standard and to evaluate how the first time users of the Dario Blood Glucose Monitoring System (1) use it under the Dario guidance materials (i.e., quick user guide and video clip) in an effort to demonstrate how the use of the Dario Blood Glucose Monitoring System and related software could potentially improve patient care and diabetic compliance, (2) to understand the potential weaknesses of the device and introduce methods of overcoming them to the users and (3) to establish the proposition that lay users can operate the device.

We evaluated accuracy and user performance in this clinical trial with 368 diabetic patients, each of whom tested fresh capillary finger prick blood glucose levels while using the Dario Blood Glucose Monitoring System for the first time, as instructed by Dario's instruction material. System accuracy was determined with samples obtained from each subject measured both on the Dario Blood Glucose Monitoring System by individual subjects and by a reference YSI analyzer. We documented sample collection or measurement errors. When required, repeated sampling by each subject was limited to three per subject. The interval of glucose levels tested were within BGMS range 43.0-477.0 mg/dL, and YSI range 42.3-435.5 mg/dL. There were no outliers. Accuracy for the Dario Blood Glucose Monitoring System met ISO 15197:2013 criteria, as can be seen in the accuracy tables below. Below 100 mg/dL, 97.8% of values were within ±15mg/d of YSI reference glucose values. For samples with glucose above or equal to 100 mg/dL, 96.4% of values were within ± 15% of YSI glucose levels. Lay subject performance assessment of the Dario's instruction clarity and usefulness showed that 100% successfully obtained a measurement result, and 97.1% of subjects found instructions easy to follow with 70.7% rating they were very satisfied (5/5) and 26.4% rating they were satisfied (4/5). Reading the result on the smart mobile device was rated easy to understand by 99.1% of lay subjects, with 86.1% rated it very easy (5/5) and 13% rated it easy (4/5). If an error message displayed on the report screen, 100% of lay subjects were clear about how to resolve the error, with 56.5% reporting is was very clear (5/5) and 43.5% reported it was clear (4/5).

System accuracy results: DBGMS platform

System accuracy results for glucose concentrations <100 mg/dL			System accuracy results for glucose concentrations ≥100 mg/dL		
Within ± 5 mg/dL	**Within ± 10 mg/dL**	**Within ± 15 mg/dL**	**Within ± 5 %**	**Within ± 10 %**	**Within ± 15 %**
42/93	**73/93**	**91/93**	**111/275**	**211/275**	**265/275**
45.2%	**78.5%**	**97.8%**	**40.4%**	**76.7 %**	**96.4%**

System accuracy results for glucose concentrations between 42.3 mg/dL and 435.5 mg/dL

Within ± 5 mg/dL or ± 5 %	Within ± 10 mg/dL or ± 10 %	Within ± 15 mg/dL or ± 15 %
153/368	**284/368**	**356/368**
41.5%	**77.2%**	**96.7%**

To conclude, the Dario Blood Glucose Monitoring System meets ISO 15197:2013 standards for clinical performance as determined by lay user accuracy and by satisfactory experience with the Dario instructions clarity and system utility.

In November 2015, we completed an additional User Performance evaluation study in the U.S. as requested by the FDA. We evaluated the accuracy of blood glucose level results obtained from fingertip using the Dario Blood Glucose Monitoring System compared to reference equipment (YSI 2300 STATPLUS). We also assessed the usability of the Dario Blood Glucose Monitoring System by first time users on iOS smart mobile devices. The study was performed at the University of Colorado Barbara Davis Center for Diabetes in Aurora, Colorado with the Dario Blood Glucose Monitoring System and included 100 participants with varying demographics. As required by the FDA, the study was approved by the Western Institutional Review Board (WIRB) which supervises clinical studies performed in their institutions.

The purpose of the study was to demonstrate the accuracy of the Dario Blood Glucose Monitoring System compared with the YSI reference standard and to evaluate how first time users of the Dario (1) use it under the Dario guidance materials (i.e., quick user guide and user guide) in an effort to demonstrate how the use of the Dario Smart Diabetes Management Solution could potentially improve patient care and diabetic compliance, (2) to understand the potential weaknesses of the device and introduce methods of overcoming them to the users and (3) to establish the proposition that lay users can operate the device.

The acceptance criteria for accuracy of BGMS per ISO 15197:2003 is “Ninety-five percent (95%) of the individual glucose results shall fall within ± 15mg/dL of the results of the Dario’s measurement at glucose concentrations < 75mg/dL and within ± 20% at glucose concentrations greater than or equal to 75mg/dL”. The study evaluated accuracy and user performance in this clinical trial with 100 diabetic patients, each of whom tested fresh capillary finger prick blood glucose levels while using Dario for the first time, as instructed by Dario's instruction material. System accuracy was determined with samples obtained from each subject measured both on the Dario by individual subjects and by a reference YSI analyzer. We documented sample collection or measurement errors. When required, repeated sampling by each subject was limited to three per subject. The interval of glucose levels tested were within BGMS range 42-396 mg/dL, and YSI range 37-386 mg/dL. There were no outliers. Accuracy for Dario met ISO 15197:2003 criteria, as can be seen in the accuracy tables below. Below 75 mg/dL, 100% of values were within ±15mg/dL of YSI reference glucose values. For samples with glucose above or equal to 75 mg/dL, 98.88% of values were within ± 20% of YSI glucose levels. Lay subject performance assessment of the Dario’s instruction clarity and usefulness showed that 100% successfully obtained a measurement result. The average rating of the users for successful operation of the Dario was 4.35 (out of 5 when 1 is “completely failed” and 5 is “very successful”) and an average rate of 3.66 (out of 5 when 1 is “very hard” and 5 is “very easy”) for operating the Dario for the first time.

System accuracy results: DBGMS platform

System accuracy results for glucose concentrations <75 mg/dL			System accuracy results for glucose concentrations ≥75 mg/dL			
Within ± 5 mg/dL	**Within ± 10 mg/dL**	**Within ± 15 mg/dL**	**Within ± 5 %**	**Within ± 10 %**	**Within ± 15 %**	**Within ± 20 %**
4/11	**9/11**	**11/11**	**39/89**	**68/89**	**85/89**	**88/89**
36.36%	**81.82%**	**100%**	**40.4%**	**76.7%**	**96.4%**	**98.88%**

To conclude, the Dario meets the requirements of ISO 15197:2003 for clinical performance as determined by lay user accuracy and by satisfactory experience with the Dario instructions clarity and system utility.

In April 2017, we completed a study in the U.S. as requested by FDA. We evaluated the accuracy of blood glucose level results obtained from fingertip using the Dario Blood Glucose Monitoring System compared to reference equipment (YSI 2300 STATPLUS). We also assessed the usability of the Dario Blood Glucose Monitoring System by first time users on Android smart mobile devices. The study was performed at the University of Colorado Barbara Davis Center for Diabetes in Aurora, Colorado with the Dario Blood Glucose Monitoring System and included 350 participants with varying demographics. As required by the FDA, the study was approved by the Western Institutional Review Board (WIRB) which supervises clinical studies performed in their institutions.

The purpose of the study was to demonstrate the accuracy of the Dario Blood Glucose Monitoring System compared with the YSI reference standard and to evaluate how first time users of the Dario (1) use it under the Dario guidance materials (i.e., quick user guide and user guide) in an effort to demonstrate how the use of the Dario Smart Diabetes Management Solution could potentially improve patient care and diabetic compliance, (2) to understand the potential weaknesses of the device and introduce methods of overcoming them to the users and (3) to establish the proposition that lay users can operate the device.

The acceptance criteria for accuracy of BGMS according to FDA guidance “Self-Monitoring Blood Glucose Test Systems for Over-the-Counter Use - Guidance for Industry and Food and Drug Administration Staff" 95% of all SMBG results shall fall within ±15% of the YSI results across the entire claimed measuring range of the device and that 99% of all SMBG results shall fall within ±20% of the YSI results across the entire claimed measuring range of the device. The study evaluated accuracy and user performance in this clinical trial with 350 diabetic patients, each of whom tested fresh capillary finger prick blood glucose levels while using Dario for the first time, as instructed by Dario's instruction material. System accuracy was determined with samples obtained from each subject measured both on the Dario by individual subjects and by a reference YSI analyzer. We documented sample collection or measurement errors. When required, repeated sampling by each subject was limited to three per subject. The interval of glucose levels tested were within BGMS range:

Device		Min (mg/dL)	Max (mg/dL)
Samsung Note 3	Dario	43	410
	YSI	37.5	423
Samsung S3	Dario	41	443
	YSI	36.6	442
LGG2	Dario	40.0	432
	YSI	36.2	414

There were two outliers per representative device. Accuracy for Dario met the FDA criteria, as can be seen in the accuracy tables below:

Samsung Galaxy S3

	Results for glucose concentrations across the entire range			
	Within ±5 %	Within ±10%	Within ±15 %	Within ±20%
Subjects who used Samsung S3 first	59/117 (50.4)%	93/117 (79.5)%	114/117 (97.4)%	117/117 (100)%
All Samsung S3 measurements	176/350 (50.3)%	276/350 (78.9)%	338/350 (96.6)%	348/350 (99.4)%

Samsung Galaxy Note 3

	Results for glucose concentrations across the entire range			
	Within ±5 %	Within ±10%	Within ±15 %	Within ±20%
Subjects who used Samsung Note 3 first	58/117 (49.6)%	96/117 (82.1)%	113/117 (96.6)%	117/117 (100)%
All Samsung Note 3 measurements	162/350 (46.3)%	278/350 (79.4)%	336/350 (96)%	348/350 (99.4)%

LG G2

	Results for glucose concentrations across the entire range			
	Within ±5 %	Within ±10%	Within ±15 %	Within ±20%
Subjects who used LG G2 first	60/116 (51.7)%	96/116 (82.8)%	111/116 (95.7)%	116/116 (100)%
All Samsung LG G2 measurements	159/350 (45.4)%	284/350 (81.1)%	334/350 (95.4)%	348/350 (99.4)%

Lay subject performance assessment of the Dario’s instruction clarity and usefulness showed the following results:

Acceptance criteria	Rating of successfully obtained measurement results using Dario Over 90% answered "Yes"	Rating success in operating Dario Average score of 3.5 or above	Rating how easy was it to operate Dario for the first time Average score of 3 or above
Samsung Galaxy S3	100%	4.6	4.4
Samsung Galaxy Note 3	100%	4.6	4.3
LG G2	100%	4.6	4.3

To conclude, Dario meets the requirements of to FDA guidance “Self-Monitoring Blood Glucose Test Systems for Over-the-Counter Use - Guidance for Industry and Food and Drug Administration Staff" for clinical performance as determined by lay user accuracy and by satisfactory experience with the Dario instructions clarity and system utility.

Government Regulation

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

United States Regulation Generally

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

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

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

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

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

European and Non-European Regulation Generally

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

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

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

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

In January 2014, we completed the registration with Medsafe, the New Zealand Medicines and Medical Devices Safety Authority, through their WAND (Web Assisted Notification of Devices) system allowing us to sell the Dario in New Zealand. We also have completed the process of registering the Dario with the Australian TGA, in the ARTG (Australian Register of Therapeutic Goods), which is required in order to bring and sell the Dario in Australia and effective March 3, 2015 our product is approved for reimbursement in Australia. In February 2015, we also gained National Pharmaceutical Product Interface (known as NAPPI) approval and registered the Dario in South Africa. In May 2015, we also received Health Canada approval to market the Dario blood glucose monitoring system and commenced marketing the product. We have also received reimbursement status from the majority of insurance plans in Canada.

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

Clinical Studies

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

Post-Clearance Matters

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

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

Mobile Medical Applications Guidance

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

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

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

Ongoing Regulation by FDA

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

- establishment registration and device listing;

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

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

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

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

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

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

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

Ongoing Regulation by International Regulators

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

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

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

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

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

State Licensure Requirements

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

Federal Anti-Kickback and Self-Referral Laws

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

- referral of a person;
- furnishing or arranging for the furnishing of items or services reimbursable under Medicare, Medicaid or other governmental programs; or
- purchase, lease, or order of, or the arrangement or recommendation of the purchasing, leasing, or ordering of any item or service reimbursable under Medicare, Medicaid or other governmental programs.

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

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

Federal False Claims Act

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

Civil Monetary Penalties Law

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

State Fraud and Abuse Provisions

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

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

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

Intellectual Property

Patent applications

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

This application covers the novel blood glucose measurement device, comprising the glucose meter; and an adaptor that connects the glucose meter to a smart-phone to receive power supply and data display, storage and analysis. A PCT search report and written opinion on patentability that we received from World Intellectual Property Organization (known as WIPO) was very positive, including only two "Y" citations, meaning no significant prior art was found with regards to novelty and inventiveness of the application. Corresponding national applications of our PCT were filed in November 2012 in the U.S., Europe, and other major territories.

On May 1, 2014 we announced the receipt of a U.S. Notice of Allowance for a key patent relating to how the Dario Blood Glucose Monitoring System draws power from and transmits data to a smart phone via the audio jack port. This patent was issued as U.S. Patent No. 8,797,180 in August 2014, and in September 2015, we were issued a U.S. patent (No. 9,125,549) that broadens our registered patent No. 8,797,180 to include testing of other bodily fluids through an audio jack connection. We believe this represents critical intellectual property recognition and a significant initial validation of our intellectual property efforts. Further, a corresponding European patent was granted to us in May 2016, as European patent No. 2569622 for testing of fluids through an audio jack connection. Additional corresponding patents were granted in Israel. Corresponding applications for this invention are still pending in the U.S., China and Australia. On November 11, 2017, U.S .patent No. 9,832,301 titled "Systems and methods for adjusting power levels on a monitoring device" was granted. This latest patent enhances the way the Dario Blood Glucose Monitoring System communicates with users' smartphone devices.

Additionally, a U.S. non-provisional and corresponding PCT application were filed, and are still pending, which cover new connection related technologies.

Furthermore, we filed 2 new U.S. Provisional applications, which are still pending, covering new features and functionalities related to future Dario Blood Glucose Monitoring System generations.

Additional patent applications are in the process of being prepared for filing, and we believe that we have a rich pipeline of future technologies that we are actively developing.

We are further seeking to develop and protect new intellectual property around future generations of our hardware and software with the goal of achieving enhanced functionality, user interface and data usability.

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

To further protect our market distinction and branding for the Dario Blood Glucose Monitoring System, three U.S. Design Applications have been filed and granted covering the glucose meter, the cartridge, and connection dongle. These applications were granted and registered in the United States. We have also filed national applications for the cartridge in many other jurisdictions, the great majority of which have been granted.

Design patents and patent applications on the Dario Smart Diabetes Management App

In addition, three U.S. Design Applications have been filed and granted covering our smart mobile device display screens with graphical user interface. These design application were also filed in several major jurisdictions, all of which have been granted.

Trademark applications

We have also filed three trademark applications covering the Dario name and logo, as well as for the DARIO-LITE word mark, and our company's name DARIOHEALTH. The marks were granted and registered in the United States; national applications were filed in major territories, some of which are still pending.

Utility Models

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

Other intangible assets

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

Competition

We face competition principally from two arenas:

Direct competition from existing companies in the blood based glucose monitors market. We compete directly and primarily with large pharmaceutical and medical device companies, including, but not limited to, Abbott Laboratories, Bayer Healthcare Division, Johnson & Johnson LifeScan, Roche Diagnostics and Sanofi. While the market is highly competitive, we believe that Dario has important comparative advantages versus other devices in the market. Some of these devices are now offered as connected devices to smart mobile devices, such as the Sanofi IBGStar, Medisana GlucoDock, Philosys Gmate Smart, One Drop, and iHealth Align.

The Dario Blood Glucose Monitoring System offers an all-in-one glucose monitoring system, including a small form factor glucose reader, lancing device and a strip cartridge connected to existing smart mobile devices, which enables Dario to offer features that are similar to or superior to the most advanced meters in the market (such as Sanofi IBGStar, Gmate Smart and iHealth Align) while having a smaller form factor than the compact meters in the market (Abbott FreeStyle Lite and OneTouch UltraMini). We believe this design will be attractive to diabetic patients.

Non-invasive and continuous blood glucose monitors. While there are numerous continuous blood glucose monitoring technologies in the market, we believe they are expensive to use and are therefore offered mainly for temporary usage and in medical settings (such as hospitals) or to limited population at high risk for hypoglycemia. There have been a wealth of attempts for noninvasive glucose monitors, but we are not aware of any that are available in the market or are expected to reach the market with significant presence over the next few years.

Gearing up for the expansion of DarioHealth and potential further growth into the mHealth space, we are currently analyzing key players in the mobile health/digital health arena. Big Data and analytical insights are the key offerings for all segments of the market – patients, healthcare providers and payers. Our technology development focus and marketing efforts are all geared at placing us as a major player in this global market.

Employees

We currently have 45 full time employees and 3 part time employee. We have employment agreements with our three executive officers. See "Management – Employment Agreements".

Item 1A. Risk Factors

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

Risks Related to Our Financial Position and Capital Requirements

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

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

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

- implement or execute our current business plan, or that our business plan is sound;
- maintain our management team and Board of Directors;
- raise sufficient funds in the capital markets or otherwise to effectuate our business plan;
- determine that our technologies that we have developed are commercially viable; and/or
- attract, enter into or maintain contracts with, and retain customers.

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

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

According to our management's estimates, based on our current cash on hand and further based on our budget and the assumption that initial commercial sales will commence during our anticipated timeframes, we believe that we will have sufficient resources to continue our activities only into March 2019.

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

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

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

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

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

Funding from any source may be unavailable to us on acceptable terms, or at all, particularly due to certain offering participation rights afforded to a lead investor that participated in our January 2017 private placement. If we do not have sufficient capital to fund our operations and expenses, we may not be able to achieve or maintain competitiveness, which could lead to the failure of our business and the loss of your investment.

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

Since our inception, we have engaged primarily in research and development activities and only recently entered the commercialization stage. We have financed our operations primarily through private placements of common stock and have incurred losses in each year since inception including net losses of $15,743,000 and $10,887,000 in 2017 and 2016, respectively. Our accumulated deficit at December 31, 2017 was approximately $70,958,000. We do not know whether or when we will become profitable. Our ability to generate revenue and achieve profitability depends upon our ability, alone or with others, to launch Dario in additional European countries, and elsewhere and manufacture, market and sell Dario where approved. We may be unable to achieve any or all of these goals.

Our independent registered public accounting firm has expressed in its report to our 2017 audited financial statements a substantial doubt about our ability to continue as a going concern.

We only recently entered the commercialization stage, and the development and commercialization of Dario is uncertain and expected to require substantial expenditures. We have not yet generated sufficient revenues from our operations to fund our activities, and are therefore dependent upon external sources for financing our operations. There is a risk that we will be unable to obtain necessary financing to continue our operations on terms acceptable to us or at all. As a result, our independent registered public accounting firm has expressed in its auditors' report on the financial statements for December 31, 2017 a substantial doubt regarding our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of the uncertainty regarding our ability to continue as a going concern. This going concern opinion could materially limit our ability to raise additional funds through the issuance of equity or debt securities or otherwise. Future reports on our financial statements may include an explanatory paragraph with respect to our ability to continue as a going concern. If we cannot continue as a going concern, our stockholders may lose their entire investment in the common stock.

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

In March 2016, the Securities and Exchange Commission declared effective a registration statement that we filed to cover the sale of 1,333,333 shares of common stock, 1,533,333 warrants to purchase common stock, 1,533,333 shares of common stock underlying such warrants, and underwriters' warrants to purchase up to 143,333 shares of common stock. Sales of approximately 55,555 shares of common stock, approximately 255,555 shares of common stock underlying warrants and approximately 25,555 shares of common stock underlying underwriters' warrants may not have been made in accordance with Section 5 of the Securities Act of 1933, as amended. Accordingly, the purchasers of those securities may have rescission rights or be entitled to damages. The amount of such liability, if any, is uncertain. In the event that we are required to make payments to investors as a result of these unregistered sales of securities, our liquidity could be negatively impacted.

Risks Related to Our Business

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

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

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

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

There is no assurance that our recently launched Dario Engage software platform will success or be adopted by Dario users.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our Dario Blood Glucose Monitoring System is currently designed to be plugged into the audio jack of a mobile device. In addition, we have recently completed the development of a version of the Dario Blood Glucose Monitoring System that connects to an iPhone 7 through the Lightning jack instead of the missing audio jack. As a result, our products are subject to future technological changes to mobile devices that may occur in the future. If we are unable to modify our products to keep pace with such technological changes, it would have a material adverse effect the ability of our customers to use our products, which would materially harm our business.

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

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

- management, communication and integration problems resulting from cultural differences and geographic dispersion;
- localization of products and services, including translation of foreign languages;
- delivery, logistics and storage costs;
- longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- difficulties supporting international operations;
- difficulties supporting customer services;
- changes in economic and political conditions;
- impact of trade protection measures;
- complying with import or export licensing requirements;
- exchange rate fluctuations;
- competition from companies with international operations, including large international competitors and entrenched local companies;
- potentially adverse tax consequences, including foreign tax systems and restrictions on the repatriation of earnings;
- maintaining and servicing computer hardware in distant locations;

- keeping current and complying with a wide variety of foreign laws and legal standards, including local labor laws;
- securing or maintaining protection for our intellectual property; and
- reduced or varied protection for intellectual property rights, including the ability to transfer such rights to third parties, in some countries.

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Product Development and Regulatory Approval

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

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

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

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

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

- criminal prosecution.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Intellectual Property

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Industry

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

With our first product, Dario, we compete directly and primarily with large pharmaceutical and medical device companies such as Abbott Laboratories, Bayer Healthcare Division, Johnson & Johnson LifeScan, Roche Diagnostics and Sanofi. The first four of these companies have more than 90% combined market share of the BGMS business and strong research and development capacity for next generation products. Their dominant market position since the late 1990s and significant control over the market could significantly limit our ability to introduce Dario or effectively market and generate sales of the product. We will also compete with numerous second-tier and third-tier competitors.

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

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

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

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

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

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

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

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

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

Risks Related to Our Operations in Israel

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

Our operating subsidiary, along with our management team and our research and development facilities, is located in Israel. Accordingly, political, economic and military conditions in Israel and the surrounding region may directly affect our business and operations. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring countries. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its trading partners could adversely affect our operations and results of operations. The hostilities involved missile strikes against civilian targets in various parts of Israel, including areas in which our employees and some of our consultants are located, and negatively affected business conditions in Israel. Our offices, located in Caesarea, Israel, are within the range of the missiles and rockets that have been fired at Israeli cities and towns from Gaza sporadically since 2006, with escalations in violence (such as the recent escalation in July 2014) during which there were a substantially larger number of rocket and missile attacks aimed at Israel. In addition, since February 2011, Egypt has experienced political turbulence and an increase in terrorist activity in the Sinai Peninsula. Such political turbulence and violence may damage peaceful and diplomatic relations between Israel and Egypt, and could affect the region as a whole. Similar civil unrest and political turbulence has occurred in other countries in the region, including Syria which shares a common border with Israel, and is affecting the political stability of those countries. This instability and any outside intervention may lead to deterioration of the political and economic relationships that exist between the State of Israel and some of these countries, and may have the potential for causing additional conflicts in the region. In addition, Iran has threatened to attack Israel and is widely believed to be developing nuclear weapons. Iran is also believed to have a strong influence among extremist groups in the region, such as Hamas in Gaza, Hezbollah in Lebanon, and various rebel militia groups in Syria. Additionally, a violent jihadist group named Islamic State of Iraq and Levant (ISIL) is involved in hostilities in Iraq and Syria and have been growing in influence. Although ISIL's activities have not directly affected the political and economic conditions in Israel, ISIL's stated purpose is to take control of the Middle East, including Israel. These situations may potentially escalate in the future to more violent events which may affect Israel and us. Any armed conflicts, terrorist activities or political instability in the region could adversely affect business conditions and could harm our results of operations and could make it more difficult for us to raise capital. Parties with whom we do business may decline to travel to Israel during periods of heightened unrest or tension, forcing us to make alternative arrangements when necessary in order to meet our business partners face to face. In addition, the political and security situation in Israel may result in parties with whom we have agreements involving performance in Israel claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions in such agreements. Further, in the past, the State of Israel and Israeli companies have been subjected to economic boycotts. Several countries still restrict business with the State of Israel and with Israeli companies. These restrictive laws and policies may have an adverse impact on our operating results, financial condition or the expansion of our business.

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

Further, the State of Israel and Israeli companies have been subjected to an economic boycott. Several countries still restrict business with the State of Israel and with Israeli companies. These restrictive laws and policies may have an adverse impact on our operating results, financial condition or the expansion of our business.

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

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

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

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

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

Risks Related to the Ownership of Our Common Stock and Warrants

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

As of the date of this Annual Report, our officers, directors and affiliated stockholders (including Dicilyon Consulting and Investment Ltd., or Dicilyon, an affiliate of David Edery, and OurCrowd Digital Health, L.P.) collectively have an approximately 27.7% beneficial ownership of our company. As a result, such individuals will have the ability, acting together, to control the election of our directors and the outcome of corporate actions requiring stockholder approval, such as: (i) a merger or a sale of our company, (ii) a sale of all or substantially all of our assets, and (iii) amendments to our certificate of incorporation and bylaws. This concentration of voting power and control could have a significant effect in delaying, deferring or preventing an action that might otherwise be beneficial to our other stockholders and be disadvantageous to our stockholders with interests different from those individuals. Certain of these individuals also have significant control over our business, policies and affairs as officers or directors of our company. Therefore, you should not invest in reliance on your ability to have any control over our company.

OurCrowd Digital Health L.P. has the right to appoint one member of our Board of Directors, which affords such investor the potential for control over our business.

OurCrowd Digital Health L.P., an investor that participated in our January 2017 private placement transaction, was given the right, for so long as such investor holds 13% and 5% of our outstanding shares of common stock, to appoint, respectively, two or one members of our Board of Directors. To date, such investor has appointed two members of our Board of Directors (Allen Kamer and Yossi Bahagon, though Mr. Bahagon has recently resigned). As a result, such investor has significant influence over the composition of our Board of Directors which, in turn, affords such investor the potential for material control over our business. Such investor no longer holds in excess of 13% of our outstanding shares of common stock and currently has the right to appoint one director to our Board of Directors.

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

Historically, the trading volume of our common stock has been relatively low when compared to larger companies listed on the Nasdaq Capital Market or other stock exchanges. While we have experienced increased liquidity in our stock during the year ended December 31, 2017, we cannot say with certainty that a more active and liquid trading market for our common stock will continue to develop. Because of this, it may be more difficult for shareholders to sell a substantial number of shares for the same price at which shareholders could sell a smaller number of shares.

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

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

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

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

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

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

- any delay in or the results of our clinical trials;
- any delay in manufacturing of our products;
- any delay with the approval for reimbursement for the patients from their insurance companies;
- our failure to comply with regulatory requirements;
- the announcements of clinical trial data, and the investment community's perception of and reaction to those data;
- the results of clinical trials conducted by others on products that would compete with ours;
- any delay or failure to receive clearance or approval from regulatory agencies or bodies;
- our inability to commercially launch products or market and generate sales of our products, including Dario;
- failure of Dario or any other products, even if approved for marketing, to achieve any level of commercial success;
- our failure to obtain patent protection for any of our technologies and products (including those related to Dario) or the issuance of third party patents that cover our proposed technologies or products;
- developments or disputes concerning our product's intellectual property rights;
- our or our competitors' technological innovations;
- general and industry-specific economic conditions that may affect our expenditures;
- changes in market valuations of similar companies;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures, capital commitments, new technologies, or patents;
- failure to adequately manufacture Dario or any other products through third parties;

- future sales of our common stock or other securities, including shares issuable upon the exercise of outstanding warrants or otherwise issued pursuant to certain contractual rights;

- period-to-period fluctuations in our financial results; and

- low or high trading volume of our common stock due to many factors, including the terms of our financing arrangements.

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

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

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

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

The right of the lead investor in our January 2017 Private Placement to participate in future financings of ours could impair our ability to raise capital.

Under the securities purchase agreement with the lead investor in our January 2017 private placement offering, in the event that we seek to raise money through the offer and sale of debt or equity securities, we must first offer such investor a right to participate in at least 13% of the securities we propose to offer in such funding. The existence of such right of participation, or the exercise of such rights, may deter potential investors from providing us needed financing, or may deter investment banks from working with, which would have a material adverse effect on our ability to finance our company which, in turn, could lead to our inability to continue our business.

As an "emerging growth company" under applicable law, we will be subject to lessened disclosure requirements, which could leave our stockholders without information or rights available to stockholders of more mature companies.

For as long as we remain an "emerging growth company" as defined in the JOBS Act, we have elected to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to:

- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act;

- taking advantage of an extension of time to comply with new or revised financial accounting standards;
- reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We expect to take advantage of these reporting exemptions until we are no longer an "emerging growth company". Because of these lessened regulatory requirements, our stockholders would be left without information or rights available to stockholders of more mature companies.

Because we have elected to use the extended transition period for complying with new or revised accounting standards for an "emerging growth company" our financial statements may not be comparable to companies that comply with public company effective dates.

We have elected to use the extended transition period for complying with new or revised accounting standards under Section 102(b)(1) of the JOBS Act. This election allows us to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. While we are not currently delaying the implementation of any relevant accounting standards, in the future we may avail ourselves of this rights, and as a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates. Because our financial statements may not be comparable to companies that comply with public company effective dates, investors may have difficulty evaluating or comparing our business, performance or prospects in comparison to other public companies, which may have a negative impact on the value and liquidity of our common stock.

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

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

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

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

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We do not own any real property. Currently, we maintain our headquarters at 8 HaToKhen St., Caesarea Industrial Park, 3088900, Israel. On September 8, 2016, we signed a lease agreement for these headquarters facilities for a period of 5 years commencing upon the completion of construction of the new office building. We moved into these offices during November 2017. The rental agreement will be extended automatically for an additional 60 months following expiration of the initial term. The monthly rent and management services under this lease are approximately $17,000. In December 2015, we signed a lease agreement for our former U.S. headquarters facilities in Burlington, Massachusetts for a period of 1 year commencing February 1, 2016 for a monthly rent and management services of approximately $2,000, and this lease is currently in effect until the end of March 2018. In December 2017 we signed a lease agreement for our new U.S. headquarters facilities in New York, New York for a monthly rent and management services of approximately $3,000.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

Our common stock is quoted on the Nasdaq Capital Market under the symbol "DRIO". Our common stock began trading on Nasdaq on March 4, 2016. The following table sets forth the high and low sales prices per share of our common stock for the periods indicated as reported by Nasdaq. The share values reflected below have been adjusted to give effect to the 1-for-18 reverse split which we implemented on February 26, 2016.

	Price Range	
Period	**High**	**Low**
Year Ended December 31, 2016:		
First Quarter	$ 8.73	$ 3.30
Second Quarter	$ 5.90	$ 4.10
Third Quarter	$ 5.20	$ 3.03
Fourth Quarter	$ 4.30	$ 2.67
Year Ended December 31, 2017:		
First Quarter	$ 4.70	$ 2.87
Second Quarter	$ 3.10	$ 1.90
Third Quarter	$ 2.97	$ 1.69
Fourth Quarter	$ 3.64	$ 1.33
Year Ended December 31, 2018:		
First Quarter (through March 16, 2018)	$ 1.86	$ 1.32

As of March 16, 2018, the last reported price of our common stock quoted on the Nasdaq Capital Market was $1.51 per share.

Record Holders

As of March 16, 2018, we had 265 stockholders of record of our common stock.

Dividends

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

Securities Authorized for Issuance Under Equity Compensation Plans as of December 31, 2017:

The following table provides information as of December 31, 2017 with respect to options outstanding under the Company's Amended and Restated 2012 Equity Incentive Plan (the "2012 Equity Incentive Plan") and the Company's other equity compensation arrangements.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance
Equity compensation plans approved by security holders	1,304,638	$ 5.98	1,138,254
Equity compensation plans not approved by security holders *	12,029	$ 126.04	-
Equity compensation plans not approved by security holders **	4,225	$ 125.10	-
Equity compensation plans not approved by security holders ***	54,490	$ 5.76	-
Equity compensation plans not approved by security holders ****	2,778	$ 7.02	-
Total	1,378,160	$ 7.39	1,138,254

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

** On May 2014, our Board approved the grant of non-plan options to the Company's Scientific Advisory Board ("SAB"). These options have an exercise price of $125.10, vest in 4 quarterly installments in arrears, have a cashless exercise feature and a ten year term.

*** In September 2015, our Board approved the grant of non-plan options to our Board members and members of our SAB. These options have an exercise price of $5.76 per share, one third vesting immediately and the balance vest over 8 quarterly installments, have a cashless exercise feature and a six year term.

**** In December 2015, our Board approved the grant of non-plan options to a member of the SAB. The options to the SAB member have an exercise price of $7.02 per share, and vest over a three year period. One third vest after one year and the balance vest over 8 quarterly installments after the first anniversary; these options have a cashless exercise feature and a six year term.

On January 23, 2012, our Board of Directors and a majority of the holders of our then outstanding shares of our common stock adopted our 2012 Equity Incentive Plan (which includes both U.S. and Israeli sub-plans). On January 23, 2012, an Israeli sub-plan was adopted under our 2012 Equity Incentive Plan, which sets forth the terms for the grant of stock awards to Israeli employees or Israeli non-employees. The sub-plan was adopted in accordance with the amended sections 102 and 3(i) of Israel's Income Tax Ordinance. The sub-plan is part of the 2012 Equity Incentive Plan and subject to the same terms and conditions. On September 26, 2016 and November 30, 2016, respectively, our Board of Directors and stockholders approved an amendment to the 2012 Equity Incentive Plan increasing the number of shares of common stock available under the plan to 1,873,000 as well as amended the 2012 Equity Incentive Plan to permit grants of shares of common stock. On February 2, 2017 and March 9, 2017, respectively, our Board of Directors and stockholders approved an amendment to the 2012 Equity Incentive Plan increasing the number of shares of common stock available under the plan to 2,373,000. On October 9, 2017 and December 4, 2017, respectively, our Board of Directors and stockholders approved an amendment to the 2012 Equity Incentive Plan increasing the number of shares of common stock available under the plan to 3,873,000. Following amendments, there are currently 1,156,254 shares of common stock reserved for issuance under the 2012 Equity Incentive Plan.

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

In connection with the administration of our 2012 Equity Incentive Plan, our Compensation Committee will:

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

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

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

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

- increase the number of shares that may be issued under our 2012 Equity Incentive Plan;
- materially modify the requirements for eligibility for participation in our 2012 Equity Incentive Plan;
- materially increase the benefits to participants provided by our 2012 Equity Incentive Plan; or
- otherwise disqualify our 2012 Equity Incentive Plan for coverage under Rule 16b-3 promulgated under the Exchange Act.

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

Option Exercises

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

Item 6. Selected Financial Data

Not applicable.

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

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

Overview

We are a global digital health (mHealth) company serving our users with dynamic mobile health solutions. We employ what we believe to be a revolutionary approach to health management. We have developed unique ways for people to analyze and personalize their chronic disease management as it relates to diabetes. We have accomplished this through the combination of wearable technology and health monitoring. In addition, our solution is changing the way people with diabetes can manage their condition as a result of us providing them with continuous, as opposed to periodic, data.

Our flagship product, Dario, which we also refer to as our Dario Smart Diabetes Management Solution, is a mobile, real-time, cloud-based, diabetes management solution based on an innovative, multi-feature software application to track and monitor all factets of diabetes, combined with a stylish, 'all-in-one', pocket-sized, blood glucose monitoring device, which we call the Dario Blood Glucose Monitoring System, that essentially turns a smartphone into a glucometer.

Our principal operating subsidiary, LabStyle Innovation Ltd., is an Israeli company with its headquarters in Caesarea, Israel. We were formed on August 11, 2011 as a Delaware corporation.

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

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

- ramp up of mass production, marketing and distribution and sales efforts related to the Dario Smart Diabetes Management Solution and the Dario Engage platform;.

- develop our customer support and telemarketing services in order to support the expect growth of our revenues and the increase of user, and service provider who will use our platform to better serve people with diabetes and improve their clinical outcome;

- continued product and software development, and related activities (including costs associated with application development and data storage capabilities as well as any necessary design modifications to the various elements of the Dario Smart Diabetes Management Solution, the Dario Engage platform and the Dario Intelligence tools and capabilities);

- continued work on registration of our patents worldwide;

- Regulatory and quality assurance matters;

- professional fees associated with being a publicly reporting company; and

- general and administrative matters.

Readers are cautioned that, according to our management's estimates, based on our budget and the initial launch of our commercial sales, we believe that we will have sufficient resources to continue our activity only into March 2019 without raising additional capital. This includes an amount of anticipated inflows from sales of Dario through direct sales in the United States and through distribution partners. As such, we have a significant present need for capital. If we are unable to scale up our commercial launch of Dario or meet our commercial sales targets (or if we are unable to ramp up revenues), and if we are unable to obtain additional capital resources in the near term, we may be unable to continue activities, absent a material alternations in our business plans and our business might fail.

Critical Accounting Policies

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations discuss our consolidated financial statements, which have been prepared in accordance with US GAAP. The preparation of these consolidated financial statements requires making estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported revenues and expenses for the reporting periods. On an ongoing basis, we evaluate such estimates and judgments. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ (perhaps significantly) from these estimates under different assumptions or conditions.

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

Revenue Recognition

We derive revenues from the sale of our device-specific disposables test strip cartridges, lancets and our Dario Blood Glucose Monitoring System through distributors or directly to end users. The Dario Smart Diabetes Management application is offered for a free download and we do not have a recurring hosting commitment with our end users relating specifically to the application.

Revenues from product sales are recognized in accordance with ASC 605-10, “Revenue Recognition”, when delivery has occurred, persuasive evidence of an agreement exists, the vendor’s fee is fixed or determinable, no further obligation exists and collectability is probable. We generally do not grant a right of return. We assess whether the fee is fixed or determinable based on the nature of the fee charged for the products delivered, the existing contractual arrangements and the distributor’s consistency of payments. When evaluating collectability, we consider whether we have sufficient history to reliably estimate the distributor’s payment patterns.

Liability Related to Certain Warrants

The fair value of the liability for certain warrants issued to investors and our previous placement agents in connection with our financings to date was calculated using the Black-Scholes-Merton option-pricing model. We accounted for these warrants according to the provisions of ASC 815, “Derivatives and Hedging - Contracts in Entity’s Own Equity” and, based on the anti-dilution protections contained in part of the warrants and net settlement cash feature contained in other warrants, we classified them as non-current liabilities, measured at fair value each reporting period until they will be exercised or expired, with changes in the fair values being recognized in our statement of comprehensive loss as financial income or expense. The anti-dilution protections feature for certain warrants was valued by calculating a put option. The value of these warrants was calculated using the call option value in addition with the put option value, which reflects the anti-dilution protection, multiplied by the probability that a down round will occur. The value of warrants with net settlement cash feature and liquidated damages penalties which do not include anti-dilution provision was calculated using a call option value.

Fair value for each reporting period was calculated based on the following assumptions:

(1) Risk-free interest rate - based on yield rates of non-index linked U.S. Federal Reserve treasury bonds.

(2) Expected volatility - was calculated based on actual historical stock price movements of the Company over a term that is equivalent to the expected term of the option.

(3) Expected life - the expected life was based on the expiration date of the warrants.

(4) Expected dividend yield - was based on the fact that the Company has not paid dividends to its shareholders in the past and does not expect to pay dividends to its shareholders in the future.

Our net loss for the year ended December 31, 2017 and 2016 included finance expenses in the amount of $1,168,000 and financial income in the amount of $260,000, respectively, with connection to the above-mentioned warrants.

Inventories

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

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

During the year ended December 31, 2017, total inventory write-off expenses amounted to $190.

Production Lines

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

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

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

Extended Transition Period for “Emerging Growth Companies”

We have elected to use the extended transition period for complying with new or revised accounting standards under Section 102(b)(1) of the JOBS Act. This election allows us to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. As a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates. Because our financial statements may not be comparable to companies that comply with public company effective dates, investors may have difficulty evaluating or comparing our business, performance or prospects in comparison to other public companies, which may have a negative impact on the value and liquidity of our common stock.

Results of Operations

Comparison of the Year Ended December 31, 2017 to Year Ended December 31, 2016

Revenues

Revenues for the year ended December 31, 2017 amounted to $5,170,000, compared to $2,803,000 during the year ended December 31, 2016.

Revenues generated during the year ended December 31, 2017 were derived mainly from the sales of the Dario Blood Glucose Monitoring System, through direct sales to consumers located mainly in the United States through our on-line store and through distributors. This increase in revenues is attributable to additional commercialization of sales in 2017.

Cost of Revenues

During the years ended December 31, 2017 and 2016, we recorded costs related to revenues in the amount of $3,859,000 and $3,633,000, respectively. The increase in cost of revenues was mainly due to the increase in the quantities of products sold during 2017.

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

Research and Development Expenses

Our research and development expenses increased by $1,143,000 to $3,297,000 for the year ended December 31, 2017 compared to $2,154,000 for the year ended December 31, 2016. This increase was mainly due to increase in salaries, stock-based compensation expenses, clinical trial costs, and other development costs.

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

Sales, Marketing and Pre-production Costs

Our sales, marketing and pre-production costs increased by $2,968,000 to $7,707,000 for the year ended December 31, 2017 compared to $4,739,000 for the year ended December 31, 2016. This increase was mainly due to the increase in our expenses on digital marketing campaigns primarily in the U.S. and Australia.

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

General and Administrative Expenses

Our general and administrative expenses increased by $1,348,000 to $4,726,000 for the year ended December 31, 2017 compared to $3,378,000 for the year ended December 31, 2016. The increase was mainly due to an increase in share based compensation expenses and consulting expenses, offset partially by a reduction other general and administrative expenses.

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

Finance Income (expenses), net

Our finance expenses, net, increased by $1,538,000 to $1,324,000 for the year ended December 31, 2017 compared to $214,000 financing income for the year ended December 31, 2016. Finance expenses includes mainly the results of revaluation of warrants issued to investors, which were recorded as a liability and presented as fair value for each reporting period.

Net loss

Net loss for the year ended December 31, 2017 was $15,743,000. Net loss for the year ended December 31, 2016 was $10,887,000. The increase from 2016 was mainly due to the increase in our operating expenses and financing expenses resulting from revaluation of warrants issued to investors during 2016.

Net operating loss carryforwards

We had U.S. federal net operating loss carryforwards of approximately $7,187,000 at December 31, 2017. This loss carryforwards expire principally beginning in 2031 through 2035.

Our Israeli subsidiary has accumulated net operating losses for Israeli income tax purposes as of December 31, 2017 in the amount of approximately $40,369,000. The net operating losses may be carried forward and offset against taxable income in the future for an indefinite period.

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

Liquidity and Capital Resources

As of December 31, 2017, we had approximately $3,718,000 in cash and cash equivalents compared to $1,093,000 at December 31, 2016.

We have experienced cumulative losses of $70,958,000 from inception (August 11, 2011) through December 31, 2017, and have a stockholders' equity of $3,941,000 at December 31, 2017. In addition, we have not completed our efforts to establish a stable recurring source of revenues sufficient to cover our operating costs and expect to continue to generate losses for the foreseeable future. There is no assurances that we will be able to obtain an adequate level of financing needed for our near term requirements or the long-term development and commercialization of our product. These conditions raise substantial doubt about our ability to continue as a "going concern".

Since inception, we have financed our operations primarily through private placements and public offerings of our common stock and warrants to purchase shares of our common stock, receiving aggregate net proceeds totaling $52,263,000 as of December 31, 2017.

On January 9, 2017, we commenced a private placement offering of up to $5,100,000 consisting of up to 1,821,437 shares of common stock and warrants to purchase up to 1,821,437 shares of common stock. The warrants are exercisable after the six month anniversary of each respective closing and will expire on the 5 year anniversary of their issuance. On January 9, 2017, we held the initial closing of the offering with a lead investor and an additional investor and issued and sold 1,113,922 shares of Common Stock and Warrants to purchase 1,113,922 shares of common stock for aggregate gross proceeds of approximately $3,119,000. On January 11, 2017, we entered into securities purchase agreements with 18 investors for the future issuance and sale of 707,515 shares of common stock and warrants to purchase 707,515 shares of common stock, provided that the issuance and sale of such securities shall only occur upon our obtaining stockholder approval, pursuant to Nasdaq rules. On March 9, 2017, following receipt of stockholder approval, we issued and sold 707,515 shares of common stock and warrants to purchase 707,515 shares of common stock to the 18 investors.

On March 31, 2017, we conducted a public offering, pursuant to which we issued 1,450,000 shares of common stock for aggregate gross consideration of $4,500,000.

Between August 16, 2017 and August 22, 2017, we executed securities purchase agreements with a total of 23 accredited and non-U.S. investors relating to two concurrent placement offerings of 483,333 shares of our common stock at a purchase price of $1.80 per share and 2,307,654 shares of our designated Series B Preferred Stock at a purchase price of $1.80 per share, for aggregate gross proceeds of approximately $5,000,000. The closing of the offering took place on August 22, 2017.

On February 28, 2018 and March 6, 2018, we closed two concurrent private placements offerings consisting of 2,262,269 shares of our common stock at $1.40 per share, 1,234,080 shares of our Series C Convertible Preferred Stock at $2.80 per share and warrants to purchase up to 3,784,351 shares of common stock for aggregate gross proceeds of approximately $6,623,000.

On March 3, 2016, we conducted a public offering, pursuant to which we issued 1,333,333 shares of common stock and warrants exercisable for an aggregate of 1,333,333 shares of common stock for an aggregate net consideration of $5,038,000.

Concurrently with our public offering, on March 3, 2016, we conducted a concurrent private placement pursuant to which we issued 555,555 units, with each unit consisting of one share of common stock and one warrant to purchase 1.2 shares of common stock, such that an aggregate of 555,555 shares of common stock and a warrant to exercisable for an aggregate of 666,666 shares of common stock was issued and sold for an aggregate net consideration of approximately $2,500,000.

According to our management's estimates, based on our budget and the initial launch of our commercial sales, we believe that we will have sufficient resources to continue our activity into March 2019 without raising additional capital. This includes an amount of anticipated inflows from sales of Dario through distribution partners and to direct customers.

As such, we have a significant present need for capital. If we are unable to scale up our commercial launch of Dario or meet our commercial sales targets (or if we are unable to generate any revenue at all), and if we are unable to obtain additional capital resources in the near term, we may be unable to continue activities absent material alterations in our business plans and our business might fail.

Additionally, readers are advised that available resources may be consumed more rapidly than currently anticipated, resulting in the need for additional funding sooner than expected. Should this occur, we will need to seek additional capital earlier than anticipated in order to fund (1) further development and, if needed, testing of our Dario Smart Diabetes Management Solution, (2) our efforts to obtain regulatory clearances or approvals necessary to be able to commercially launch Dario, Dario Engage and Dario Intelligence, (3) expenses which will be required in order to expand production of Dario, (4) sales and marketing efforts and (5) general working capital. Such funding may be unavailable to us on acceptable terms, or at all. Our failure to obtain such funding when needed could create a negative impact on our stock price or could potentially lead to the failure of our company. This would particularly be the case if we are unable to commercially launch Dario, Dario Engage and Dario Intelligence in the jurisdictions and in the timeframes we expect.

Cash Flows

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

	December 31,	
	2017	**2016**
	$	**$**
Cash used in operating activities:	(10,619,000)	(8,379,000)
Cash used in investing activities:	(219,000)	(947,000)
Cash provided by financing activities:	13,463,000	7,748,000
	2,625,000	(1,578,000)

Net cash used in operating activities

Net cash used in operating activities was $10,619,000 for the year ended December 31, 2017 compared to $8,379,000 used in operations for the same period in 2016. Cash used in operations increased mainly due to increase in our research and development expenses and in our sales and marketing activities in promoting our product sales.

Net cash used in investing activities

Net cash used in investing activities was $219,000 for the year ended December 31, 2016 compared to $947,000 for the year ended December 31, 2016. Cash used in investing activities decreased mainly due to lower investment in manufacturing facilities to support the increase in sales.

Net cash provided by financing activities

Net cash provided by financing activities was $13,463,000 for the year ended December 31, 2017 compared to $7,748,000 for the year ended December 31, 2016. During the year ended December 31, 2017, we raised net proceeds in an amount of approximately $13,463,000, of which approximately $4,793,000 was raised through our August 2017 offering.

Contractual Obligations

Set forth below is a summary of our current obligations as of December 31, 2017 to make future payments due by the period indicated below, excluding payables and accruals. We expect to be able to meet our obligations in the ordinary course. Operating lease obligations are for motor vehicle and real property leases which we use in our business. Purchasing obligations consists of outstanding purchase orders for materials and services from our vendors.

	Payments due by period (U.S. dollars)		
Contractual Obligations	**Total**	**Less than 1 year**	**1-5 years**
Operating Lease Obligations	$ 1,302	$ 387	$ 915
Purchasing Obligations	665	665	-
Total contractual cash obligations	$ 1,967	$ 1,052	$ 915

Off-Balance Sheet Arrangements

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

Contingencies

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

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

Recently Issued and Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, "Revenue from Contracts with Customers" Topic 606). This ASU provides a five-step approach to account for revenue arising from contracts with customers. The ASU requires an entity to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This revenue standard will be effective for the Company starting the first quarter of 2019. The new revenue standard permits companies to either apply the requirements retrospectively to all prior periods presented or apply the requirements in the year of adoption through a modified retrospective approach with a cumulative adjustment. We are currently in the process of determining the method of adoption and assessing the impact of ASU on our consolidated financial position, results of operations and cash flows.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," which is intended to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. In order to meet that objective, the new standard requires recognition of the assets and liabilities that arise from leases. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. Accounting by lessors will remain largely unchanged from current U.S. generally accepted accounting principles. The new standard is effective for public companies for fiscal years beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. We are currently evaluating the effect that adopting this standard will have on the consolidated financial statements and related disclosures.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (ASU 2016-18), which requires companies to include amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This guidance will be effective from the first quarter of 2019 and early adoption is permitted. We do not expect that the adoption of this guidance will have a material impact on our consolidated financial statements and related disclosures.

In May 2017, the FASB issued ASU 2017-09, "Compensation - Stock Compensation (Topic 718), Scope of Modification Accounting." This ASU clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. Entities will apply the modification accounting guidance if the value, vesting conditions or classification of the award changes. They will have to make all of the disclosures about modifications that are required today, in addition to disclosing that compensation expense has not changed, to the extent applicable. The ASU also clarifies that a modification to an award could be significant and therefore require disclosure, even if modification accounting is not required. We adopted ASU 2017-09 on January 1, 2018 with no impact on our accounting and disclosures.

In July 2017, the FASB issued ASU No. 2017-11, "Earnings per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Non-public Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception." The amendments in Part I of ASU No. 2017-11 change the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. Convertible instruments with embedded conversion options that have down round features are now subject to the specialized guidance for contingent beneficial conversion features (in Subtopic 470-20, Debt—Debt with Conversion and Other Options), including related EPS guidance (in Topic 260). The amendments in Part II of ASU No. 2017-11 recharacterize the indefinite deferral of certain provisions of Topic 480 that now are presented as pending content in the Codification, to a scope exception. Those amendments do not have an accounting effect. For public business entities, the amendments in Part I of ASU No. 2017-11 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. We do not expect that the adoption of this guidance will have a material impact on our consolidated financial statements and related disclosures.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

Our Consolidated Financial Statements and Notes thereto and the report of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, our independent registered public accounting firm, are set forth on pages F-1 through F-34 of this Annual Report.

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

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, at December 31, 2017, such disclosure controls and procedures were effective.

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

Limitations on the Effectiveness of Internal Controls

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

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

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

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

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

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect errors or misstatements in our consolidated financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of our internal control over financial reporting at December 31, 2017. In making these assessments, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on our assessments and those criteria, management determined that we maintained effective internal control over financial reporting at December 31, 2017.

Item 9B. Other Information

On March 15, 2018, Yossi Bahagon, a member of our Board of Directors and a member of our Nominating and Corporate Governance Committee, resigned from our Board of Directors, effective immediately. Mr. Bahagon did not advise us of any disagreement with us on any matter relating to our operations, policies or practices.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

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

Name	Age	Position(s)
Erez Raphael	45	Chairman of the Board of Directors and Chief Executive Officer
Zvi Ben David	57	Chief Financial Officer, Treasurer and Secretary
Dror Bacher	43	Chief Operating Officer
Malcolm Hoenlein	74	Director
Dennis M. McGrath	61	Director
Prof. Richard B. Stone	75	Director
Rami Yehudiha	48	Director
Hila Karah	49	Director
Yalon Farhi	56	Director
Allen Kamer	47	Director

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

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

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

Malcolm Hoenlein has been a director of our company since August 31, 2011. Since 1986, Mr. Hoenlein has served as Chief Executive Officer and Executive Vice Chairman of the Conference of Presidents of Major American Jewish Organizations, the coordinating body on international and national concerns for 52 national American Jewish organizations. Previously, he served as the founding Executive Director of the Jewish Community Relations Council of Greater New York. Prior to that, he was the founding Executive Director of the Greater New York Conference on Soviet Jewry. A National Defense Fellow at the Near East Center of the University of Pennsylvania, Mr. Hoenlein taught International Relations in the Political Science Department and served as a Middle East specialist at the Foreign Policy Research Institute. In addition, he served on the editorial staff of ORBIS, the Journal of International Affairs. He serves as a director of several companies, Coronado Biosciences Inc. (Nasdaq: CNDO), Nanox Technologies, Data to Life, Nuvo Corp and WellSense Technologies. Mr. Hoenlein has a B.A. in Political Science from Temple University and a Master's Degree in International Relations from the University of Pennsylvania, as well as an honorary Doctorate of Laws from Touro College and an honorary Doctorate of Humane Letters from Yeshiva University. He was appointed by Presidents Clinton and Bush as a U.S. delegate to the Organization for Security and Cooperation in Europe. In 2013, he received the highest civilian decoration from King Mohamad VI of Morocco. We believe Mr. Hoenlein is qualified to serve on our Board of Directors because of his extensive experience serving on the boards of public and private companies.

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

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

Rami Yehudiha has been a director of our company since September 23, 2014. Mr. Yehudiha is a marketing and advertising executive with a particular expertise in developing and implementing campaigns utilizing cutting edge technologies and methods. From 2004 to the present, he has served as the Founder and Chief Executive Officer of LEAD, a top ten Israeli advertising firm. From 1997 to 2003, he served as the Chief Executive Officer at Ogilvy One Israel, a part of the WPP Group. We believe Mr. Yehudiha is qualified to serve on our Board of Directors because of his experience in technology-based marketing. Mr. Yehudiha received his B.A. in Political Science and Economics from Tel Aviv University and an M.B.A. in Marketing from Manchester University.

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

Yalon Farhi has been a director of our company since May 31, 2016. Since 1998, Mr. Farhi, a Colonel in the Israeli Defense Forces (reserves), has served as a motivational lecturer and educator at Bnei-David Institutions, a pre-army and post-army educational program in Israel. From 1998 to January 2016, Mr. Farhi worked as an administrative manager for El-Ami, a non-governmental organization in Israel. Previously, from 1988 to 1992, Mr. Farhi served as a private security consultant to several security companies in Israel. In addition, for the past thirty years, Mr. Farhi has been the owner of a private gardening and land development services company based in Israel. Mr. Farhi received a degree in Education Studies and holds a Teaching Certificate from the Moreshet Yaacov College in Jerusalem. We believe Mr. Farhi is qualified to serve on our Board of Directors because of his business expertise and experience.

Allen Kamer has been a director of our company since February 28, 2017. Since September 2016, Mr. Kamer serves as a managing partner at OurCrowd, a digital health fund. From January 2014 until June 2016, Mr. Kamer served as Chief Commercial Officer, or CCO, of Optum Analytics, a division within Optum, Inc., United Healthcare's health services unit. Optum Analytics was focused on converting health information to health intelligence and delivering solutions that improve care delivery, quality and cost-effectiveness. As the CCO, Mr. Kamer led the group's commercialization efforts of analytics software products and solutions, including the award-winning Optum OneTM, to U.S. provider and payer organizations. In July 2008,, Mr. Kamer was co-founder of the Humedica Inc., which was acquired by United Healthcare in January 2013. As co-founder, Mr. Kamer helped lead efforts to raise capital, hire the management team, and launch the business. Mr. Kamer led Corporate Development & Marketing at Humedica, Inc., and was responsible for formulating and managing the company's strategic partnerships, all marketing & branding activities, and new business opportunities. Mr. Kamer has a B.A. form Brandeis University. We believe Mr. Kamer is qualified to serve on our Board of Directors because of his business expertise and experience with life sciences companies.

Scientific Advisory Board

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

Prof. Itamar Raz is a world renowned expert in diabetes care and research. He currently services as the head of the Diabetes Unit of Hadassah Hebrew University Medical Center in Jerusalem, the head of the Israel National Council of Diabetes of the Israel Ministry of Health (which is responsible for formulating Israeli national policies), the President of D-Cure, a diabetes not-for-profit organization and the head of the Israel Diabetes Research Group. He also serves as a member of Advisory Boards at Novo Nordisk (NYSE: ADR), Astra Zeneca/Bristol-Myers Squibb (NYSE: BMY), Sanofi (NYSE: SNY), Merck Sharp & Dohme (NYSE: MRK), and Eli Lilly (NYSE: LLY) and as a consultant for InsuLine Medical Ltd, Andromeda Biotech Ltd and Astra Zeneca/Bristol-Myers Squibb. Prof. Raz has published over 260 research papers including biennial publications of a Supplement to Diabetes Care summarizing proceedings of the European Controversies to Consensus in Obesity, Diabetes and Hypertension (CODHy) meeting. He also holds editorial positions on a number of medical journals. Prof. Raz's medical career began in 1985 at Hadassah University Hospital as Senior Physician, specializing in Internal Medicine. From 1986 to 1992, Prof. Raz was head of Hebrew University Student Services, and in 1988 he was appointed Senior Lecturer at Hadassah University Hospital's Department of Internal Medicine. In 1989, Prof. Raz was appointed Chief Physician of Internal Medicine, and as head of the Diabetes Clinic at Hadassah University Hospital in 1992. In 1995, Prof. Raz became an Associate Professor at the Department of Internal Medicine, Hadassah University Hospital. In 2001, he was appointed Director of the hospital's Center for Prevention of Diabetes and its Complications. Since 2003, Prof. Raz has served as Professor of Internal Medicine at the Department of Internal Medicine, Hadassah University Hospital. Prof. Raz graduated from Hebrew University & Hadassah School of Pharmacy with a Bachelor of Science in 1973. In 1981, he graduated from Hebrew University & Hadassah School of Medicine with an M.D. and completed his residency at Hadassah University Hospital from 1981 to 1985, specializing in internal medicine.

Dr. William Polonsky, PhD, CDE is an internationally recognized expert in the behavioral aspects of diabetes management. Dr. Polonsky is the Founder of the Behavioral Diabetes Institute and serves as its Chief Executive Officer. Dr. Polonsky is also an Associate Clinical Professor of Psychiatry at University of California, San Diego. He served as Senior Psychologist at the Joslin Diabetes Center in Boston, faculty member at Harvard Medical School and Chairman of the National Certification Board for Diabetes Educators. Dr. Polonsky serves as a Member of Advisory Board at SweetSpot Diabetes Care, Inc. He has served on the editorial boards of numerous professional and lay publications, including Diabetes Care, Diabetes Forecast, Clinical Diabetes, Diabetes Self-Management and Diabetes Health. In addition to his professional publications, he is the author of *Diabetes Burnout: What to Do When You Can't Take it Anymore*, a popular book for patients published by the American Diabetes Association. In addition, he was co-editor of A CORE Curriculum for Diabetes Education and Diabetes Education Goals. Dr. Polonsky received his PhD in clinical psychology from Yale University.

Mr. Robert G. Faissal is a Managing Partner of Lebita Consulting Services LLC, a Toronto based business development and investment group with emphasis on commercial relationships in North America, Europe, Africa and the Middle East. Lebita Consulting focuses on healthcare, technology, finance, oil and gas and real estate. Mr. Faissal was the Managing Partner of Richmond Development, an Abu Dhabi based multi-disciplinary investment group. From 1997 until 2000, Mr. Faissal served as the Managing Director/Middle East & Africa for the Philadelphia based Wharton Econometrics Forecasting Associates (WEFA Group, currently IHS Global Insight) advising various governments and private sector clients on economics and financial matters in the Middle East and Africa. He holds a Master of Arts degree in Economics & International Finance from McMaster University in Canada and an undergraduate Honors Degree in Economics from the University of Western Ontario.

Mr. Erez Levy attended the Technion Institution in Haifa and graduated with a B.Sc. degree in Industrial Engineering and Management in 1996. He then started to work as a Manufacturing Program Manager, Missile Division in Rafael, Israel. He joined GE Healthcare in 2000 as a Material Site Manager in Haifa, Israel and became a certified Six Sigma Green belt in 2001. In 2003, he became certified Lean Manufacturing Leader. During 2004 he relocated with his family to Cleveland, Ohio as an Operation manager in GE Coils. In 2006, he returned to Israel as VCP leader in Nuclear Medicine, Engineering drive design for cost in NPI process. During 2008 to 2010 he led the evaluation, due diligence and negotiation process the acquisition of Orbotech by GE and become the integration manager after deal closing. In 2011, he was appointed as General Manager of Global Direct Conversion Detector, CZT solid-state Center of Excellence located in Rehovot, Israel. Mr. Levy brings with him 18 years of broad leadership experience with growing responsibilities, and strong leadership background in medical device design, process engineering, manufacturing and supply chain. He has completed his M.B.A. studies at the Technion institution, Haifa, Israel.

Dr. Paolo Pozzilli is a Professor of Endocrinology and Metabolic Diseases, Head of Department at the University Campus Bio-Medico in Rome, Italy where he is in charge of the Post-Graduate School and PhD program in Endocrinology and Diabetes. He is also Professor of Diabetes Research at St. Bartholomew's and the London School of Medicine, Queen Mary, University of London.

Hope Warchaw, MMSc, RD, CDE, BC-ADM is a dietitian and diabetes educator for thirty-five years and is author of professional articles in leading diabetes journals and co-author of several American Diabetes Association books for healthcare professionals. Among diabetes educators, Ms. Warshaw is a leading promoter of the Diabetes Online Community and its value to people with diabetes and their caregivers.

Dr. Paul Rosman, DO FACP FACE FACOI has served roles in industry, academia and non-profit leadership. He was Former Senior Medical Advisor at Eli Lilly & Company, has held teaching positions at Ohio University and Northeastern Ohio Universities College of Medicine, as well as served as President or Chair of American Diabetes Association, Ohio Chapter, American Association of Clinical Endocrinologists, Ohio River Chapter, and the Ohio Diabetes Prevention and Control Program at Ohio Department of Health.

Gary Scheiner, CDE MS has dedicated his professional life to improving the lives of people with insulin-dependent diabetes. Scheiner has authored six books: You Can Control Diabetes (1997), Think Like A Pancreas (2004), The Ultimate Guide to Accurate Carb Counting (2007), Get Control of Your Blood Sugar (2009), Think Like A Pancreas, 2nd edition (2011), and Until There's A Cure (2012). Mr. Scheiner holds a B.A. in Psychology, an M.S. in Exercise Physiology, and is a Certified Diabetes Educator who trained at the Joslin Diabetes Center.

Board Composition

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

Under the terms of the Securities Purchase Agreement of the September 2014 Private Placement, for so long as David Edery or his controlled affiliates held 25%, 15% and 10% of the outstanding shares of our common stock, Mr. Edery had the right to nominate, respectively, three, two or one member of our seven-member Board of Directors. Mr. Edery has waived his director nomination rights effective February 28, 2016. Mr. Yehudiha and Ms. Karah were appointed to our Board of Directors as nominees of Mr. Edery.

Under the terms of the Securities Purchase Agreement relating to our January 2017 Private Placement, our lead investor in the offering, OurCrowd Digital Health L.P., was given the right to appoint two members to our Board of Directors with such Board designees to serve on the Company's Nominating and Corporate Governance Committee. Messrs. Kamer and Bahagon were appointed to our Board of Directors as nominees of OurCrowd. Mr. Bahagon resigned from our Board of Directors effective as of March 15, 2018. Such investor currently has the right to appoint one director to our Board of Directors.

Except for the appointment of Yalon Farhi, whose nomination was suggested by Shmuel Farhi, a significant stockholder of the company and a cousin of Yalon Farhi, there are no family relationships between any of our directors or executive officers.

Except for the foregoing, there are no arrangements between our directors and any other person pursuant to which our directors were nominated or elected for their positions.

Board Committees

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

Audit Committee

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

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

- evaluates the independence and performance of, and assesses the qualifications of, our independent auditor and engage such independent auditor;
- approves the plan and fees for the annual audit, quarterly reviews, tax and other audit-related services and approve in advance any non-audit service to be provided by our independent auditor;
- monitors the independence of our independent auditor and the rotation of partners of the independent auditor on our engagement team as required by law;

- reviews the financial statements to be included in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q and reviews with management and our independent auditor the results of the annual audit and reviews of our quarterly financial statements; and

- oversees all aspects our systems of internal accounting control and corporate governance functions on behalf of the board.

Compensation Committee

Our Compensation Committee is comprised of Messrs. Hoenlein, McGrath and Yehudiha and Ms. Karah. Mr. Hoenlein is the Chairman of the Compensation Committee. Under the terms of the Securities Purchase Agreement in our September 2014 Private Placement, we agreed to appoint two nominees of our lead investor, David Edery, to the Compensation Committee. Both Mr. Yehudiha and Ms. Karah are nominees of Mr. Edery.

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

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

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee is currently comprised of Prof. Stone and Messrs. Kamer and Yehudiha. Prof. Stone is the Chairman of the Nominating and Corporate Governance Committee.

Under the terms of the Securities Purchase Agreement in our September 2014 Private Placement, we agreed to appoint two nominees of our lead investor, David Edery to the Nominating and Corporate Governance Committee. Mr. Yehudiha is the current nominee of Mr. Edery serving on this committee. In addition, under the terms of the Securities Purchase Agreement relating to our January 2017 Private Placement, our lead investor in the offering, OurCrowd Digital Health L.P., was given the right to appoint two members to our Board of Directors with such Board designees to serve on the Company's Nominating and Corporate Governance Committee. Messrs. Kamer and Bahagon were appointed to our Board of Directors as nominees of OurCrowd. Mr. Bahagon resigned from our Board of Directors effective as of March 15, 2018. Such investor currently has the right to appoint one director to our Board of Directors.

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

Director Independence

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

Code of Ethics

On March 5, 2013, our Board of Directors adopted a Code of Business Conduct and Ethics and Insider Trading Policy. Our Code of Business Conduct and Ethics is available on our website at www.mydario.com under the Investors/Governance section.

Limitation of Directors Liability and Indemnification

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

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

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

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who own more than 10% of our common stock, to file reports regarding ownership of, and transactions in, our securities with the SEC and to provide us with copies of those filings. Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons, except for the Form 3 filed by OurCrowd Digital Health L.P. on January 27, 2017 and the Form 3 filed by Shehnee Lawrence Farhi on February 14, 2018, we believe that during fiscal year ended December 31, 2017, all filing requirements applicable to our officers, directors and ten percent beneficial owners were complied with.

Item 11. Executive Compensation

The following table summarizes compensation of our named executive officers, as of December 31, 2017 and 2016.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)*	Bonus ($)	Stock Awards	Option Awards ($)**	Non-equity incentive plan compensation	Non-qualified incentive plan compensation	All Other Compensation ($)	Total ($)
Erez Raphael	2017	$ 146,679(1)		$ 1,063,401(3)	$ 389,406(4)			$ 75,341	$ 1,674,827
(Chairman and Chief Executive Officer)	2016	$ 128,953(1)	$ 100,000(2)	$ 118,828(3)				$ 72,642(5)	$ 420,423
Zvi Ben David	2017	$ 131,136(6)		$ 398,500(7)	$ 86,559(8)			$ 43,786	$ 659,981
(Chief Financial Officer)	2016	$ 110,978(6)		$ 76,649(7)				$ 32,279(9)	$ 219,907
Dror Bacher	2017	$ 130,011(10)		$ 304,970(11)	$ 95,878(12)			$ 59,254	$ 590,113
(Chief Operating Officer)	2016	$ 119,456(10)		$ 27,048(11)				$ 55,261(13)	$ 201,765

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

** Amount shown does not reflect dollar amount actually received. Instead, this amount reflects the aggregate grant date fair value of each stock option granted in the fiscal years ended December 31, 2017, computed in accordance with the provisions of ASC 718 “Compensation - Stock Compensation”, or ASC 718. Assumptions used in accordance with ASC 718 are included in Note 9 to our consolidated financial statements included in this Annual Report.

(1) In accordance with his second amendment to the employment agreement with our company effective August 11, 2013, Mr. Raphael was entitled to a monthly salary of NIS 44,000, commencing April 1, 2016 his monthly salary was increased to NIS 80,000 (approximately $22,857 per month). During 2016 and 2017, Mr. Raphael agreed to a waiver of 42% and 45% respectively, of his cash salary according to our salary program (see further details in “Employment and Related Agreements” below).

(2) On March 2016, Mr. Raphael was paid a bonus of $100,000 following the successful completion of the public offering.

(3) On January 27, 2016, Mr. Raphael was granted 1,364 shares of our common stock under our 2012 Equity Incentive Plan against waiver of cash salary for the period from January to March 2016. On June 23, 2016, Mr. Raphael was granted 7,089 shares of our common stock under our 2012 Equity Incentive Plan against waiver of cash salary for the period from April to June 2016, On August 1, 2016, Mr. Raphael was granted 7,688 shares of our common stock under our 2012 Equity Incentive Plan against waiver of cash salary for the period from July to September 2016, On January 10, 2017, Mr. Raphael was granted 11,205 shares of our common stock under our 2012 Equity Incentive Plan against waiver of cash salary for the period from October to December 2016. On January 30, 2017, Mr. Raphael was granted 11,381 shares of our common stock under our 2012 Equity Incentive Plan against waiver of cash salary for the period from January to March 2017. On April 13, 2017, Mr. Raphael was granted 10,369 shares of our common stock under our 2012 Equity Incentive Plan against waiver of cash salary for the period from April to June 2017. On July 10, 2017, Mr. Raphael was granted 17,036 shares of our common stock under our 2012 Equity Incentive Plan against waiver of cash salary for the period from July to September 2017. On October 23, 2017, Mr. Raphael was granted 21,128 shares of our common stock under our 2012 Equity Incentive Plan against waiver of cash salary for the period from October to December 2017. On January 30, 2017, Mr. Raphael was granted 227,616 shares of our common stock under our 2012 Equity Incentive Plan, and on April 20, 2017 Mr. Raphael was granted 50,000 shares of our common stock under our 2012 Equity Incentive Plan, as a bonus for the 2016 achievements of the Company.

(4) During 2017, Mr. Raphael was granted 143,164 options to purchase shares of our common stock. The balance shall vest in twelve equal quarterly installments from the grant date during a three-year period. We may grant Mr. Raphael additional options to purchase shares of common stock from time to time at the discretion of our Board of Directors or the Compensation Committee thereof (see further details in “Employment and Related Agreements” below).

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

(6) In accordance with his employment agreement with our company effective January 8, 2015, Mr. Ben David was initially entitled to a monthly salary and additional compensation (excluding social benefits under applicable Israeli law) of NIS 31,200 (approximately $8,914) for providing eighty percent of his working time to our company. Beginning on March 1, 2015, Mr. Ben David began working for us on a full time basis pursuant to the terms of his employment agreement at which point Mr. Ben David’s salary was increased to NIS 39,000 (approximately $11,142) per month, and commencing April 1, 2016 his monthly salary was updated to NIS 60,000 (approximately $17,142). During 2016 and 2017, Mr. Ben David agreed to a waiver of 35.2% and 35.0% respectively of his cash salary according to our salary program (see further details in “Employment and Related Agreements” below).

(7) On January 27, 2016, Mr. Ben David was granted 1,736 shares of our common stock under our 2012 Equity Incentive Plan against waiver of cash salary for the period from January to March 2016.

On June 23, 2016, Mr. Ben David was granted 4,135 shares of our common stock under our 2012 Equity Incentive Plan against waiver of cash salary for the period from April to June 2016, On August 1, 2016, Mr. Ben David was granted 4,485 shares of our common stock under our 2012 Equity Incentive Plan against waiver of cash salary for the period from July to September 2016, On January 10, 2017, Mr. Ben David was granted 6,536 shares of our common stock under our 2012 Equity Incentive Plan against waiver of cash salary for the period from October to December 2016.

On March 31, 2016 Mr. Ben David was granted 20,000 shares of our common stock under our 2012 Equity Incentive Plan as bonus for the successful completion of the public offering in march 2016.

On January 30, 2017, Mr. Ben David was granted 6,639 shares of our common stock under our 2012 Equity Incentive Plan against waiver of cash salary for the period from January to March 2017. On April 13, 2017, Mr. Ben David was granted 6,049 shares of our common stock under our 2012 Equity Incentive Plan against waiver of cash salary for the period from April to June 2017. On July 10, 2017, Mr. Ben David was granted 9,938 shares of our common stock under our 2012 Equity Incentive Plan against waiver of cash salary for the period from July to September 2017. On October 23, 2017, Mr. Ben David was granted 12,325 shares of our common stock under our 2012 Equity Incentive Plan against waiver of cash salary for the period from October to December 2017. On January 30, 2017, Mr. Ben David was granted 74,896 shares of our common stock under our 2012 Equity Incentive Plan, and on April 20, 2017 Mr. Ben David was granted 20,000 shares of our common stock under our 2012 Equity Incentive Plan, as a bonus for the 2016 achievements of the Company

(8) During 2017, Mr. Ben David was granted 31,823 options to purchase shares of our common stock. The balance shall vest in twelve equal quarterly installments from the grant date during a three-year period. We may grant Mr. Ben David additional options to purchase shares of common stock from time to time at the discretion of our Board of Directors or the Compensation Committee thereof (see further details in “Employment and Related Agreements” below).

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

(10) In accordance with his second amendment to the employment agreement with our company effective April 2016, Mr. Bacher was entitled to a monthly salary of NIS 48,000 (approximately $13,714 per month), Commencing July 1, 2017, Mr. Dror was appointed as our Chief Operating Officer and his monthly salary was increased to NIS 55,000 (approximately $15,714 per month). During 2017, Mr. Bacher agreed to a waiver of 24% of his cash salary according to our salary program (see further details in “Employment and Related Agreements” below)

(11) On January 30, 2017, Mr. Bacher was granted 2,845 shares of our common stock under our 2012 Equity Incentive Plan against waiver of cash salary for the period from January to March 2017. On April 13, 2017, Mr. Bacher was granted 2,592 shares of our common stock under our 2012 Equity Incentive Plan against waiver of cash salary for the period from April to June 2017. On July 10, 2017, Mr. Bacher was granted 7,572 shares of our common stock under our 2012 Equity Incentive Plan against waiver of cash salary for the period from July to September 2017. On October 23, 2017, Mr. Bacher was granted 9,390 shares of our common stock under our 2012 Equity Incentive Plan against waiver of cash salary for the period from October to December 2017. On January 30, 2017 Mr. Bacher was granted 49,745 shares of our common stock under our 2012 Equity Incentive Plan, on April 20, 2017 Mr. Bacher was granted 20,000 shares of our common stock under our 2012 Equity Incentive Plan, as a bonus for the 2016 achievements of the Company, on July 25, 2017 Mr. Bacher was granted 10,000 shares of our common stock under our 2012 Equity Incentive Plan, upon his promotion to COO of the Company, and on October 23, 2017 Mr. Bacher was granted 8,080 shares of our common stock under our 2012 Equity Incentive Plan as a bonus for getting FDA clearance for certain Android smart phone devices in the U.S..

(12) During January 2017, Mr. Bacher was granted 27,492 options to purchase shares of our common stock which will vest in twelve equal quarterly installments over a three-year period from the grant date. During July 2017, Mr. Bacher was granted 10,000 options to purchase shares of our common stock which will vest in twelve equal quarterly installments over a three-year period from the grant date. We may grant Mr. Bacher additional options to purchase shares of common stock from time to time at the discretion of our Board of Directors or the Compensation Committee thereof (see further details in “Employment and Related Agreements” below).

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

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

Employment and Related Agreements

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

Erez Raphael, *Chief Executive Officer and Chairman of our Board of Directors* – On August 30, 2013, LabStyle Innovation Ltd., our Israeli subsidiary, entered into an amendment to a Personal Employment Agreement with Mr. Raphael in connection with his August 2013 appointment as our President and Chief Executive Officer. Pursuant to the terms of his employment agreement as amended, Mr. Raphael is entitled to a monthly salary of NIS 80,000 (approximately $22,857 per month). During 2016 and 2017, Mr. Raphael agreed to a waiver of 42% and 45% respectively of his cash salary according to our salary program pursuant to which Mr. Raphael received compensation shares of restricted common stock as consideration for cash salary waived.

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

On January 27, 2016, the Compensation Committee of our Board of Directors approved the issuance to Mr. Raphael of 1,364 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $10,637 salary otherwise payable to Mr. Raphael from January to March 2016.

On June 23, 2016, the Compensation Committee of our Board of Directors approved the issuance to Mr. Raphael of 7,089 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $36,185 salary otherwise payable to Mr. Raphael from April to June 2016.

On August 1, 2016, the Compensation Committee of our Board of Directors approved the issuance to Mr. Raphael of 7,688 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $36,045 salary otherwise payable to Mr. Raphael from July to September 2016.

On January 10, 2017, the Compensation Committee of our Board of Directors approved the issuance to Mr. Raphael of 11,205 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $35,961 salary otherwise payable to Mr. Raphael from October to December 2016.

On January 30, 2017, the Compensation Committee of our Board of Directors approved the issuance to Mr. Raphael of 11,381 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $36,444 salary otherwise payable to Mr. Raphael from January to March 2017.

On April 13, 2017, the Compensation Committee of our Board of Directors approved the issuance to Mr. Raphael of 10,369 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $37,953 salary otherwise payable to Mr. Raphael from April to June 2017.

On July 10, 2017, the Compensation Committee of our Board of Directors approved the issuance to Mr. Raphael of 17,036 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $39,389 salary otherwise payable to Mr. Raphael from July to September 2017.

On October 23, 2017, the Compensation Committee of our Board of Directors approved the issuance to Mr. Raphael of 21,128 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $39,222 salary otherwise payable to Mr. Raphael from October to December 2017.

Zvi Ben David, Chief Financial Officer, Treasurer and Secretary – On January 8, 2015, LabStyle Innovation Ltd., our Israeli subsidiary, entered into a Personal Employment Agreement with Mr. Ben David. Pursuant to his employment agreement, Mr. Ben David was initially entitled to a monthly salary and additional compensation (excluding social benefits under applicable Israeli law) of NIS 31,200 (approximately $8,914) for providing eighty percent of his working time to our company. Beginning on March 1, 2015, Mr. Ben David began working for us on a full time basis pursuant to the terms of his employment agreement at which point Mr. Ben David's salary was increased to NIS 39,000 (approximately $11,142). Commencing April 1, 2016 Mr. Ben David's Salary was updated to NIS 60,000 (approximately $17,142) per month. During 2016 and 2017, Mr. Ben David agreed to a waiver of 35.2% and 35.0% respectively of his cash salary according to our salary program pursuant to which Mr. Ben David received compensation shares of restricted common stock as consideration for cash salary waived.

Mr. Ben David's employment agreement may be terminated by either party at will upon 90 days prior written notice or terminated by us for cause, as defined under the employment agreement. In the event the employment agreement is terminated by us at will, Mr. Ben David shall be entitled to receive 6 months base salary and severance payment pursuant to applicable Israeli severance law. In the event the employment agreement is terminated by us at will, Mr. Ben David shall be entitled to receive 90 days of severance plus any required severance payment pursuant to applicable Israeli severance law. In the event the employment agreement is terminated by us for cause, Mr. Ben David will only be entitled to severance payment under applicable Israeli severance law. The employment agreement also includes a twelve month non-competition and non-solicitation provision, certain confidentiality covenants and assignment of any of his company-related inventions to the company. Under the terms of the employment agreement, Mr. Ben David is entitled to certain expense reimbursements and other standard benefits, including vacation, sick leave, contributions to a manager's insurance policy and study fund and mobile phone allowances.

On January 27, 2016, the Compensation Committee of our Board of Directors approved the issuance to Mr. Ben David of 1,736 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $13,538 salary otherwise payable to Mr. Ben David from January to March 2016.

On March 31, 2016, the Compensation Committee of our Board of Directors approved the issuance to Mr. Ben David of 20,000 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued as a bonus for the successful completion of the public offering in March 2016.

On June 23, 2016, the Compensation Committee of our Board of Directors approved the issuance to Mr. Ben David of 4,135 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $21,108 salary otherwise payable to Mr. Ben David from April to June 2016.

On August 1, 2016, the Compensation Committee of our Board of Directors approved the issuance to Mr. Ben David of 4,485 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $21,026 salary otherwise payable to Mr. Ben David from July to September 2016.

On January 10, 2017, the Compensation Committee of our Board of Directors approved the issuance to Mr. Ben David of 6,536 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $20,977 salary otherwise payable to Mr. Ben David from October to December 2016.

On January 30, 2017, the Compensation Committee of our Board of Directors approved the issuance to Mr. Ben David of 6,639 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $21,259 salary otherwise payable to Mr. Ben David from January to March 2017.

On April 13, 2017, the Compensation Committee of our Board of Directors approved the issuance to Mr. Ben David of 6,049 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $ $22,139 salary otherwise payable to Mr. Ben David from April to June 2017.

On July 10, 2017, the Compensation Committee of our Board of Directors approved the issuance to Mr. Ben David of 9,938 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $22,977 salary otherwise payable to Mr. Ben David from July to September 2017.

On October 23, 2017, the Compensation Committee of our Board of Directors approved the issuance to Mr. Ben David of 12,325 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $22,879 salary otherwise payable to Mr. Ben David from October to December 2017.

Dror Bacher, Chief Operating Officer – On August 30, 2013, LabStyle Innovation Ltd., our Israeli subsidiary, entered into an employment agreement with Mr. Bacher, pursuant to which Mr. Bacher receives an annual base salary of NIS 55,000 (approximately $15,714), effective as of July 2017. Pursuant to Mr. Bacher's existing personal employment agreement as amended, either we or Mr. Bacher may terminate his employment agreement upon thirty days notice, provided, however, that in the event of a termination for cause, Mr. Bacher's employment may be terminated immediately. Mr. Bacher's employment agreement also includes a twelve (12) month non-competition and non-solicitation provision, certain confidentiality covenants and assignment of any of his company-related inventions. Under the terms of Mr. Bacher's employment agreement, Mr. Bacher is entitled to certain expense reimbursements and other standard benefits, including vacation, sick leave, life and disability insurance and car and mobile phone allowances. In addition, in conjunction with his appointment as Chief Operating Officer, we issued Mr. Bacher 10,000 shares of common stock, and 10,000 options that will vest in 12 equal quarterly installments over a three-year period with an exercise price of $2.46 per share, all issued pursuant to the Registrant's Amended and Restated 2012 Equity Incentive Plan.

During the fiscal year ended December 31, 2017, Mr. Bacher agreed to waive approximately 24% of his cash salary pursuant to our shares for salary program and its 2012 Equity Incentive Plan, and as a result Mr. Bacher received shares of common stock in lieu of a portion of his annual cash salary.

On January 10, 2017, the Compensation Committee of our Board of Directors approved the issuance to Mr. Bacher of 2,801 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $8,990 salary otherwise payable to Mr. Bacher from October to December 2016.

On January 30, 2017, the Compensation Committee of our Board of Directors approved the issuance to Mr. Bacher of 2,845 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $9,111 salary otherwise payable to Mr. Bacher from January to March 2017.

On April 13, 2017, the Compensation Committee of our Board of Directors approved the issuance to Mr. Bacher of 2,592 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $9,488 salary otherwise payable to Mr. Bacher from April to June 2017.

On July 10, 2017, the Compensation Committee of our Board of Directors approved the issuance to Mr. Bacher of 7,572 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $17,506 salary otherwise payable to Mr. Bacher from July to September 2017.

On October 23, 2017, the Compensation Committee of our Board of Directors approved the issuance to Mr. Bacher of 9,390 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $17,432 salary otherwise payable to Mr. Bacher from October to December 2017.

On October 23, 2017, the Compensation Committee of our Board of Directors approved the issuance to Mr. Bacher of 8,080 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $15,000 of a cash bonus otherwise payable to Mr. Bacher for his efforts in obtaining FDA clearance for certain Android smart phone devices in the U.S.

Outstanding Equity Awards at December 31, 2017

Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)	Option exercise price ($)	Option expiration date
Erez Raphael	2,001	-	-	$ 121,50	March 14, 2023
(Chairman and Chief Executive Officer)	223	-	-	$ 270.00	June 5, 2023
	3,334	-	-	$ 240.30	August 28, 2023
	889	-	-	$ 166.50	January 6, 2024
	4,667	-	-	$ 88.20	July 6, 2024
	168,904	-	-	$ 5.76	September 3, 2021
	35,790	107,374(1)	-	$ 3.202	January 30, 2023
Zvi Ben David	43,073	-	-	$ 5.76	September 3, 2021
(Chief Financial Officer, Secretary and Treasurer)	7,955	23,868(1)	-	$ 3.202	January 30, 2023
Dror Bacher	1,334	-	-	$ 166.50	January 6, 2024
(Chief Operating Officer)	1,334	-	-	$ 88.20	July 6, 2024
	25,338	-	-	$ 5.76	September 3, 2021
	6,389	3,195(1)	-	$ 7.02	December 17, 2021
	6,873	20,619(1)	-	$ 3.202	January 30, 2023
	834	9,166(1)	-	$ 2.46	July 25, 2023
Total Option Shares	308,938	164,222	-	$ -	-

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

Non-Employee Director Remuneration Policy

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

Cash Awards

Our non-employee directors (currently Messrs. Hoenlein, McGrath and Yehudiha, Prof. Stone and Ms. Karah) will receive the following cash payments for each fiscal year: (i) $25,000 per year, to be paid quarterly in arrears and (ii) $16,000 for Board committee service, to be paid quarterly in arrears; *provided, however,* that such quarterly payments and committee meeting fees shall accrue and shall be payable upon the approval of Mr. Raphael at such time when our company is adequately capitalized in his reasonable discretion.

Stock and Option Awards

On April 3, 2015, our Board of Directors approved a compensation plan under which the executive officers have been granted the authority (in their discretion from time to time with the concurrence of the impacted individuals, and subject to applicable laws, rules and regulations) to cause the issuance of shares of common stock to our directors, officers and employees as consideration for a reduction in cash salary or fees owed to such individuals. For that purpose a pool of up to 122,222 shares of common stock is reserved under a shares for salary program.

On January 3, 2016, 1,349 shares were issued to each of Prof. Stone, Mr. Hoenlein and Mr. McGrath in lieu of $10,250 in fees otherwise payable to each of them for the period from October 1, 2015 to December 31, 2015 (this grant included a correction to the grant made on October 6, 2015).

On January 3, 2016, the Compensation Committee of our Board of Directors approved the issuance to each of Ms. Karah and Mr. Yehudiha of 1,351 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of $10,250 in fees otherwise payable to each of Ms. Karah and Mr. Yehudiha for the period from October 1, 2015 to December 31, 2015.

On June 19, 2016, the Compensation Committee of our Board of Directors approved the issuance to each of Prof. Stone, Mr. Hoenlein, Mr. McGrath, Ms. Karah and Mr. Yehudiha of 2,008 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of $10,250 in fees otherwise payable to each of Prof. Stone, Mr. Hoenlein, Mr. McGrath, Ms. Karah and Mr. Yehudiha for the period from January 1, 2016 to March 31, 2016.

On July 27, 2016, the Compensation Committee of our Board of Directors approved the issuance to each of Prof. Stone, Mr. Hoenlein, Mr. McGrath, Ms. Karah and Mr. Yehudiha of 2,186 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of $10,250 in fees otherwise payable to each of Prof. Stone, Mr. Hoenlein, Mr. McGrath, Ms. Karah and Mr. Yehudiha for the period from April 1, 2016 to June 30, 2016.

On January 10, 2017, the Compensation Committee of our Board of Directors approved the issuance to each of Prof. Stone, Mr. Hoenlein, Mr. McGrath, Ms. Karah and Mr. Yehudiha of 6,388 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of $20,500 in fees otherwise payable to each of Prof. Stone, Mr. Hoenlein, Mr. McGrath, Ms. Karah and Mr. Yehudiha for the period from July 1, 2016 to December 31, 2016. In addition, the Compensation Committee of our Board of Directors approved the issuance to Mr. Farhi of 4,544 shares of our common stock under the 2012 Equity Incentive Plan. Such shares were issued in lieu of $14,583.33 in fees otherwise payable to Mr. Farhi for the period June 1, 2016 to December 31, 2016.

On January 30, 2017, the Compensation Committee of our Board of Directors approved a grant of an aggregate of 111,242 options to our non-employee directors. These options have an exercise price of $3.202 per share. The options shall vest in 12 quarterly installments over a three-year period from the grant date.

On April 13, 2017, the Compensation Committee of our Board of Directors approved the issuance to each of Prof. Stone, Mr. Hoenlein, Mr. McGrath, Ms. Karah and Mr. Yehudiha of 2,800 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of $10,250 in fees otherwise payable to each of Prof. Stone, Mr. Hoenlein, Mr. McGrath, Ms. Karah and Mr. Yehudiha for the period from January 1, 2017 to March 31, 2017. In addition, the Compensation Committee of our Board of Directors approved the issuance to Mr. Farhi of 1,708 shares of our common stock under the 2012 Equity Incentive Plan. Such shares were issued in lieu of $6,250 in fees otherwise payable to Mr. Farhi for the period January 1, 2017 to March 31, 2017. In addition, the Compensation Committee of our Board of Directors approved the issuance to each of Mr. Kamer and Mr. Bahagon of 569 shares of our common stock under the 2012 Equity Incentive Plan. Such shares were issued in lieu of $2,083.33 in fees otherwise payable to each of Mr. Kamer and Mr. Bahagon for the period March 1, 2017 to March 31, 2017.

On July 9, 2017, the Compensation Committee of our Board of Directors approved the issuance to each of Prof. Stone, Mr. Hoenlein, Mr. McGrath, Ms. Karah and Mr. Yehudiha of 4,433 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of $10,250 in fees otherwise payable to each of Prof. Stone, Mr. Hoenlein, Mr. McGrath, Ms. Karah and Mr. Yehudiha for the period from April 1, 2017 to June 30, 2017. In addition, the Compensation Committee of our Board of Directors approved the issuance to each of Mr. Farhi, Mr. Kamer and Mr. Bahagon of 2,703 shares of our common stock under the 2012 Equity Incentive Plan. Such shares were issued in lieu of $6,250 in fees otherwise payable to Mr. Farhi, Mr. Kamer and Mr. Bahagon for the period April 1, 2017 to June 30, 2017.

On October 23, 2017, the Compensation Committee of our Board of Directors approved the issuance to each of Prof. Stone, Mr. Hoenlein, Mr. McGrath, Ms. Karah and Mr. Yehudiha of 5,521 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of $10,250 in fees otherwise payable to each of Prof. Stone, Mr. Hoenlein, Mr. McGrath, Ms. Karah and Mr. Yehudiha for the period from July 1, 2017 to September 30, 2017. In addition, the Compensation Committee of our Board of Directors approved the issuance to each of Mr. Farhi, Mr. Kamer and Mr. Bahagon of 3,367 shares of our common stock under the 2012 Equity Incentive Plan. Such shares were issued in lieu of $6,250 in fees otherwise payable to Mr. Farhi, Mr. Kamer and Mr. Bahagon for the period July 1, 2017 to September 30, 2017.

On January 4, 2018, the Compensation Committee of our Board of Directors approved the issuance to each of Prof. Stone, Mr. Hoenlein, Mr. McGrath, Ms. Karah and Mr. Yehudiha of 6,531 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of $10,250 in fees otherwise payable to each of Prof. Stone, Mr. Hoenlein, Mr. McGrath, Ms. Karah and Mr. Yehudiha for the period from October 1, 2017 to December 31, 2017. In addition, the Compensation Committee of our Board of Directors approved the issuance to each of Mr. Farhi, Mr. Kamer and Mr. Bahagon of 3,983 shares of our common stock under the 2012 Equity Incentive Plan. Such shares were issued in lieu of $6,250 in fees otherwise payable to Mr. Farhi, Mr. Kamer and Mr. Bahagon for the period October 1, 2017 to December 31, 2017.

Compensation Committee Review

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

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

Participation of Employee Directors; New Directors

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

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

Summary Director Compensation Table

The following table summarizes the annual compensation paid to our non-employee directors for the fiscal year ended December 31, 2017:

Name and Principal Position	Year	Fees Paid or Earned in Cash ($)	Stock Awards	Option Awards ($)*	Non-equity incentive plan compensation	Non-qualified deferred compensation earnings	All other compensation ($)	Total ($)
Malcolm Hoenlein	2017	$ -	$ 41,000(1)	$ 28,813(2)	$ -	$ -	$ -	$ 69,813
Dennis McGrath	2017	$ -	$ 41,000(3)	$ 28,813(4)	$ -	$ -	$ -	$ 69,813
Prof. Richard B. Stone	2017	$ -	$ 41,000(5)	$ 28,813(6)	$ -	$ -	$ -	$ 69,813
Rami Yehudiha	2017	$ -	$ 41,000(7)	$ 28,813(8)	$ -	$ -	$ -	$ 69,813
Yalon Farhi	2017	$ -	$ 25,000(9)	$ 56,173(10)	$ -	$ -	$ -	$ 81,173
Hila Karah	2017	$ -	$ 41,000(11)	$ 28,813(12)	$ -	$ -	$ -	$ 69,813
Allen Kamer	2017	$ -	$ 20,833.33(13)	$ -(14)	$ -	$ -	$ -	$ 20,833.33
Yossi Bahagon(17)	2017	$ -	$ 20,833.33(15)	$ -(16)	$ -	$ -	$ -	$ 20,833.33

* Amount shown does not reflect dollar amount actually received. Instead, this amount reflects the aggregate grant date fair value of each stock option granted in the fiscal year ended December 31, 2017, computed in accordance with the provisions of ASC 718. Assumptions used in accordance with ASC 718 are included in Note 9 to our consolidated financial statements included in this Annual Report.

(1) 40,496 stock awards are outstanding as of December 31, 2017.
(2) 35,653 option awards are outstanding as of December 31, 2017.
(3) 33,148 stock awards are outstanding as of December 31, 2017.
(4) 33,152 option awards are outstanding as of December 31, 2017.
(5) 33,104 stock awards are outstanding as of December 31, 2017.
(6) 32,874 option awards are outstanding as of December 31, 2017.
(7) 31,857 stock awards are outstanding as of December 31, 2017.
(8) 31,207 option awards are outstanding as of December 31, 2017.
(9) 12,322 stock awards are outstanding as of December 31, 2017.
(10) 31,207 option awards are outstanding as of December 31, 2017.
(11) 35,745 stock awards are outstanding as of December 31, 2017.
(12) 31,207 option awards are outstanding as of December 31, 2017.
(13) 6,639 stock awards are outstanding as of December 31, 2017.
(14) No option awards are outstanding as of December 31, 2017.
(15) 6,639 stock awards are outstanding as of December 31, 2017.
(16) No option awards are outstanding as of December 31, 2017.
(17) Mr. Bahagon resigned from our Board of Directors effective as of March 15, 2018.

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

The following table sets forth information regarding the beneficial ownership of our common stock as of March 16, 2018 by:

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

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

In computing the number and percentage of shares beneficially owned by a person, shares that may be acquired by such person within 60 days of the date of this Annual Report are counted as outstanding, while these shares are not counted as outstanding for computing the percentage ownership of any other person. Unless otherwise indicated, the address of each person listed below is c/o DarioHealth Corp., 8 HaToKhen Street, Caesarea North Industrial Park, 3088900, Israel.

Name of Beneficial Owner	Shares of Common Beneficially Stock Owned	Percent of Common Stock Beneficially Owned [1]
Officers and Directors		
Erez Raphael [2]	1,894,715	11.2%
Zvi Ben David [3]	630,410	3.8%
Dror Bacher	187,554	1.1%
Malcolm Hoenlein [4]	72,008	*
Dennis M. McGrath [5]	62,159	*
Prof. Richard B. Stone [6]	232,283	1.4%
Rami Yehudiha [7]	58,923	*
Hila Karah [8]	62,811	*
Yalon Farhi[9]	26,707	*
Allen Kamer[10] [12]	1,399,511	8.5%
All Executive Officers and Directors as a group (10 persons)	4,627,081	27.7%
5% Stockholders		
OurCrowd Digital Health L.P.[11]	1,388,889	8.4%
Agate JT Healthcare Fund L.P.[12]	1,428,571	8.7%
Shmuel Farhi [13]	1,263,353	7.5%
Shehnee Lawrence Farhi[14]	1,550,975	9.3%

* Less than 1%.

(1) Percentage ownership is based on 16,447,914 shares of our common stock outstanding as of March 16, 2018 and, for each person or entity listed above, warrants or options to purchase shares of our common stock which exercisable within 60 days of the such date.

(2) Includes 227,739 vested options and 1,112 warrants to purchase Common Stock. Excludes 95,443 options which are not vested. Also includes 757,509 shares of our Common Stock and 256,387 warrants to purchase Common Stock, held by Dicilyon Consulting and Investment Ltd. Erez Raphael is the natural person with voting and dispositive power over our securities held by Dicilyon Consulting and Investment Ltd. The address of Dicilyon Consulting and Investment Ltd. is 7 B'Chshvan St No. 8, Ramat HaSharon, Israel.

(3) Includes 53,680 vested options to purchase common stock and 131,946 warrants to purchase common stock. Excludes 21,216 options which are not vested. Includes 9,018 shares owned by his spouse, for which Mr. Ben David disclaims beneficial ownership except to the extent of his pecuniary interest therein.

(4) Includes 24,981 vested options to purchase common stock. Excludes 10,672 options which are not vested.

(5) Includes 22,480 vested options to purchase common stock. Excludes 10,672 options which are not vested.

(6) Includes 36,112 warrants to purchase common stock, and 22,202 vested options to purchase common stock. Excludes 10,672 options which are not vested.

(7) Includes 20,535 vested options to purchase common stock. Excludes 10,672 options which are not vested.

(8) Includes 20,535 vested options to purchase common stock. Excludes 10,672 options which are not vested.

(9) Includes 10,402 vested options to purchase common stock. Excludes 20,805 options which are not vested.

(10) Mr. Kamer is a Managing Partner of OurCrowd Digital Health L.P. and therefore the securities held by OurCrowd Digital Health L.P. may be deemed to be beneficially owned by Mr. Kamer. Mr. Kamer disclaims beneficial ownership of the securities owned by OurCrowd Digital Health L.P. except to the extent of his pecuniary interest therein.

(11) Based solely on information contained in the filed Schedule 13G filed with the SEC on January 27, 2017, reporting beneficial ownership of OurCrowd Digital Health L.P., and on the exchange agreement signed between the Company and OurCrowd Digital Health L.P. on November 13, 2017. The address of OurCrowd Digital Health L.P is 28 Hebron Rd., Jerusalem 918001, Israel.

(12) Based on the Securities Purchase Agreement executed by and between Agate JT Healthcare Fund L.P. and the Company dated February 28, 2018.

(13) Based on information contained in the filed Schedule 13D filed with the SEC on October 10, 2017, reporting beneficial ownership of Mr. Shmuel Farhi. Includes 305,557 warrants to purchase Common Stock issued to Mr. Shmuel Farhi. Mr. Shmuel Farhi's address is 484 Richmond St., London, England, N6A 3E6.

(14) Based on information contained in the filed Schedule 13G filed with the SEC on February 14, 2018, reporting beneficial ownership of Ms. Farhi and on the Securities Purchase Agreement executed by and between Ms. Farhi and the company on March 6, 2018. Includes 195,689 warrants to purchase Common Stock issued to Ms. Farhi. Ms. Farhi's address is 413 Grangeover Crt., London, Ontario, Canada

Item 13. Certain Relationships and Related Party Transactions

Executive Officers and Directors

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

Executive Officers and Directors

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

September 2014 Private Placement

On September 23, 2014, we entered into and closed the transactions contemplated by a definitive Securities Purchase Agreement. The lead investor in the financing memorialized in such agreement was Dicilyon Consulting and Investment Ltd. ("Dicilyon"), an affiliate of Israeli investor David Edery who invested $3 million in the private placement purchasing 1,667 shares of our Series A Convertible Preferred Stock (which converted into 525,564 shares of our Common Stock on March 8, 2016 in conjunction with a closing of our public offering) and 231,248 warrants to purchase Common Stock following the entry into a warrant replacement agreement with Dicilyon whereby Dicilyon replaced 210,226 warrants issued in 2014 which contained a net settlement cash feature and liquidated damages penalties with 231,248 warrants which contain a standard anti-dilution clause, both groups of warrants with an exercise price of $8.559 per share and exercisable until September 23, 2018. Pursuant to the Securities Purchase Agreement, Mr. Edery and his controlled affiliates were granted certain special rights, including, among other things, (i) a two year pre-emptive right to participate in our future financings, subject to certain exceptions, in an amount which would allow Mr. Edery to maintain his fully-diluted percentage ownership of the Company, and (ii) a right that, for so long as Mr. Edery holds 25%, 15% and 10% of the outstanding shares of Common Stock, Mr. Edery shall have the right to appoint, respectively, three, two or one member of our seven person Board of Directors. The preemptive rights were waived in connection with the March 2016 public offering and Mr. Edery has waived his director nomination rights effective February 28, 2016. In connection with the closing of the transactions contemplated by the Securities Purchase Agreement, Mr. Edery's company appointed Rami Yehudiha to serve as a member of the Board of Directors and on November 18, 2014, Mr. Edery's company exercised its right to appoint two members to the Board of Directors by requesting that Dr. Oren Fuerst and Dr. Steven A. Kaplan resign from the Board of Directors. Accordingly, Dr. Kaplan resigned from the Board of Directors effective as of November 21, 2014 and Dr. Fuerst resigned from the Board of Directors effective as of November 23, 2014. On November 23, 2014, the remaining members of the Board of Directors acted by unanimous written consent to name two appointees of Mr. Edery's company, Dr. Peter M. Kash and Ms. Hila Karah, as members of the Board of Directors. On February 25, 2015, Dr. Peter M. Kash resigned from his position as a member of the Board of Directors for personal reasons. On June 15, 2015, both Mr. Yehudiha and Ms. Karah were elected to our Board of Directors by our shareholders. On March 1, 2016, Dicilyon irrevocably granted voting and dispositive power over our shares held by it to Erez Raphael, our Chairman and Chief Executive Officer.

January 2017 Private Placement

On January 9, 2017, we held the initial closing of our private placement offering with OurCrowd Digital Health L.P., the lead investor, and an additional investor, and issued and sold an aggregate of 1,113,922 shares of common stock and warrants to purchase 1,113,922 shares of our common stock. Pursuant to the terms of the securities purchase agreement with OurCrowd Digital Health L.P., we granted OurCrowd Digital Health L.P. the right to nominate two individuals to the our Board of Directors for so long as the investor holds 13% and 5% of our outstanding shares of our common stock. We further agreed to permit such designees to serve on our Nominating and Corporate Governance Committee. In addition, we granted OurCrowd Digital Health L.P. the right, for a two year period, to participate in future securities offerings of the Company. On February 28, 2017, OurCrowd Digital Health L.P. appointed Allen Kamer and Yossi Bahagon to serve on our Board of Directors as well as appointed each of Messrs. Kamer and Bahagon to serve on our Nominating and Corporate Governance Committee. Such investor no longer holds in excess of 13% of our outstanding shares of common stock and currently has the right to appoint one director to our Board of Directors. Mr. Bahagon resigned from our Board of Directors effective as of March 15, 2018.

Statement of Policy

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

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

Item 14. Principal Accounting Fees and Services

The following table sets forth fees billed to us by Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, our independent registered public accounting firm, during the fiscal years ended December 31, 2017 and December 31, 2016 for: (i) services rendered for the audit of our annual financial statements and the review of our quarterly financial statements; (ii) services by our independent registered public accounting firms that are reasonably related to the performance of the audit or review of our financial statements and that are not reported as audit fees; (iii) services rendered in connection with tax compliance, tax advice and tax planning; and (iv) all other fees for services rendered.

	December 31, 2017	December 31, 2016
Audit Fees	$ 86,000	$ 83,000
Audited Related Fees	$ -	$ -
Tax Fees (1)	$ 12,000	$ 16,000
All Other Fees (2)	$ 56,000	$ 55,000
Total	$ 154,000	$ 154,000

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

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

Audit Committee Policies

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

PART IV

Item 15. Exhibits, Financial Statement Schedules.

The following exhibits are filed with this Annual Report.

Exhibit No.	Description
3.1	Composite copy of Certificate of Incorporation, as amended (19)
3.2	Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock of the Company (2)
3.3	Bylaws (3)
3.4	Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock of the Company (25)
3.5	Certificate of Correction to the Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock of the Company (25)
3.6	Certificate of Designation of Preferences, Rights and Limitations of Series C Convertible Preferred Stock of the Company (27)
4.1	Form of Warrant issued to investors in the Company's 2011-2012 Private Placement (3)
4.2	Warrant for shares of common stock issued to Spencer Trask Ventures, Inc. (3)
4.3	Warrant for shares of common stock issued to Spencer Trask Ventures, Inc. (3)
4.4	Form of Warrant issued to investors in the Company's August 2012 Private Placement (3)
4.5	Form of Finder Warrant issued in connection with the Company's October 2012 Private Placement (3)
4.6	Form of Warrant issued to investors in the Company's May 2013 Private Placement (4)
4.7	Registration Rights Agreement, dated as of February 12, 2014, by and among the Company and the Buyers named therein in connection with the Company's February 2014 Private Placement (5)
4.8	Form of Warrant issued to investors in the Company's September 2014 Private Placement (6)
4.9	Registration Rights Agreement, dated as of September 24, 2014, by and among the Company and the Purchasers named therein in connection with the Company's September 2014 Private Placement (6)
4.10	Form of Series A Warrant issued to investors in the Company's February 2015 Private Placement (14)
4.11	Form of Series B Warrant issued to investors in the Company's February 2015 Private Placement (14)
4.12	Registration Rights Agreement, dated as of February 25, 2015, by and among the Company and the Purchasers named therein in connection with the Company's February 2015 Private Placement (14)
4.13	Form of Warrant issued in connection with warrant exercise and replacement agreement (15)
4.14	Form of Series A Warrant issued to investors in the Company's July 2015 Private Placement (1)
4.15	Form of Series B Warrant issued to investors in the Company's July 2015 Private Placement (1)
4.16	Form of placement agent common stock warrant issued in the Company's July 2015 Private Placement (1)
4.17	Form of placement agent Series A warrant issued in the Company's July 2015 Private Placement (1)
4.18	Form of placement agent Series B warrant issued in the Company's July 2015 Private Placement (1)
4.19	Form of Warrant issued in connection with warrant replacement agreement (18)
4.20	Form of Series A Warrant issued to investors in the Company's November 2015 Private Placement (18)
4.21	Form of Series B Warrant issued to investors in the Company's November 2015 Private Placement (18)
4.22	Form of Warrant issued to investors in the Company's December 2015 Private Placement (7)
4.23	Warrant Agent Agreement, dated as of March 8, 2016, between LabStyle Innovations Corp. and VStock Transfer, LLC (21)
4.24	Form of Representatives' Warrant (21)
4.25	Form of Series A Warrant (21)

4.26	Warrant dated January 9, 2017 issued to OurCrowd Digital Health L.P. (22)
4.27	Form of Warrant issued in January 2017 Private Placement (22)
4.28	Form of Representatives' Warrant (23)
4.29	Form of Warrant (27)
10.1	Employment Agreement, dated October 11, 2012, between LabStyle Israel and Erez Raphael+ (8)
10.2	Amendment to Employment Agreement, dated April 1, 2013, between LabStyle Israel and Erez Raphael+ (8)
10.3	Amendment to Employment Agreement, dated August 30, 2013, between LabStyle Israel and Erez Raphael+ (8)
10.4	Form of Securities Purchase Agreement for the Company's August 2012 Private Placement (3)
10.5	Addendum to Securities Purchase Agreement, dated February 11, 2013, for the Company's August 2012 Private Placement (9)
10.6	Form of Subscription Agreement for the Company's October 2012 private placement (3)
10.7	Distribution Agreement, dated April 25, 2013, by and between the Labstyle Innovation Ltd. and Farla Medical Limited (10)
10.8	Form of Subscription Agreement for the Company's May 2013 Private Placement (4)
10.9	Securities Purchase Agreement, dated as of February 12, 2014, by and among the Company and the Buyers named therein in connection with the Company's February 2014 Private Placement (5)
10.10	Amendment, dated as of March 20, 2014, by and among the Company and the Buyers named therein in connection with the Company's February 2014 Private Placement (11)
10.11	Form of Amendment and Exchange Agreement, dated August 15, 2014, entered into between the Company and the several investors in the Company's February 2014 Private Placement (12)
10.12	Securities Purchase Agreement, dated as of September 24, 2014, by and among the Company and the Purchaser named therein in connection with the Company's September 2014 Private Placement (2)
10.13	Personal Employment Agreement, dated January 8, 2015, between the Company and Zvi Ben David+ (13)
10.14	Securities Purchase Agreement, dated as of February 25, 2015, by and among the Company and the Purchaser named therein in connection with the Company's February 2015 Private Placement (14)
10.15	Form of Warrant Exercise and Replacement Agreement (15)
10.16	Amended and Restated 2012 Equity Incentive Plan of the Company+(16)
10.20	Form of Securities Purchase Agreement by and among the Company and the Purchasers named therein in connection with the Company's July 2015 Private Placement (1)
10.21	Form of Warrant Replacement Agreement (17)
10.22	Form of Securities Purchase Agreement by and among the Company and the Purchasers named therein in connection with the Company's November 2015 Private Placement (18)
10.23	Form of Securities Purchase Agreement by and among the Company and the Purchasers named therein in connection with the Company's December 2015 Private Placement(7)
10.24	Agreement between the Company, Dicilyon Consulting and Investment Ltd. and David Edery, dated August 10, 2016 (19)
10.25	Form of Warrant Amendment Agreement (20)
10.26	Form of Securities Purchase Agreement for March 2016 Private Placement (21)
10.27	Securities Purchase Agreement between the Company and OurCrowd Digital Health L.P., dated January 9, 2017 (22)
10.28	Form of Registration Rights Agreement by and between the Company and OurCrowd in connection with the Company's January 2017 Private Placement (22)
10.29	Securities Purchase Agreement between the Company and Shmuel Farhi, dated January 9, 2017 (22)
10.30	Form of Securities Purchase Agreement by and between the Company and the Purchasers named therein in connection with the Company's January 2017 Private Placement (26)
10.31	Form of Registration Rights Agreement by and between the Company and the Purchasers named therein in connection with the Company's January 2017 Private Placement (26)
10.32	Amended and Restated Employment Agreement, dated as of July 25, 2017, between Erez Raphael and LabStyle Innovation Ltd. + (24)
10.33	Employment Agreement, dated as of September 22, 2013, and as amended on August 1, 2014, April 27, 2015 and May 1, 2016, between Dror Bacher and Labstyle Innovation Ltd. + (24)
10.34	Form of Securities Purchase Agreement for the purchase of shares of Common Stock (25)
10.35	Form of Securities Purchase Agreement for the purchase of shares of Preferred Stock (25)
10.36	Form of Securities Purchase Agreement for the purchase of shares of Common Stock*
10.37	Form of Securities Purchase Agreement for the purchase of shares of Series C Convertible Preferred and/or Common Stock*

21.1	List of Subsidiaries of the Company (7)
23.1	Consent of Kost Forer Gabbay and Kaiserer*
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934.*
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934.*
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350.**
101	Interactive Data File (XBRL)*

\+ Management contract or compensatory plan or arrangement
* Filed herewith
** Furnished herewith

(1) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 12, 2015.
(2) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 24, 2014.
(3) Incorporated by reference to the Company's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on January 16, 2013.
(4) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 13, 2013.
(5) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 13, 2014.
(6) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 24, 2014.
(7) Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 8, 2016.
(8) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 6, 2013.
(9) Incorporated by reference to the Company's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on February 12, 2013.
(10) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 30, 2013.
(11) Incorporated by reference to the Company's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on March 20, 2014.
(12) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 18, 2014.
(13) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 9, 2015.
(14) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 26, 2015.
(15) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 20, 2015.
(16) Incorporated by reference to the Company's Definitive Proxy Statement filed with the Securities and Exchange Commission on October 19, 2016.
(17) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 2, 2015.
(18) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 19, 2015.
(19) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 10, 2016.
(20) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 28, 2016.
(21) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 9, 2016.
(22) Incorporated by reference to the Company's Registration Statement on Form S-3, filed with the Securities and Exchange Commission on March 10, 2017.

(23) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 31, 2017.
(24) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 26, 2017.
(25) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 25, 2017.
(26) Incorporated by reference to the Company's Definitive Proxy Statement on Form 14-A filed with the Securities and Exchange Commission on February 13, 2017.
(27) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 6, 2018.

Item 16. Form 10-K Summary.

None.

SIGNATURES

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

Date: March 19, 2018

DARIOHEALTH CORP.

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

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

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

Person	Capacity	Date
/s/ Erez Raphael Erez Raphael	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	March 19, 2018
/s/ Zvi Ben David Zvi Ben David	Chief Financial Officer, Secretary and Treasurer (Principal Financial and Accounting Officer)	March 19, 2018
/s/ Richard B. Stone Richard B. Stone	Director	March 19, 2018
 Malcolm Hoenlein	Director	
/s/ Rami Yehudiha Rami Yehudiha	Director	March 19, 2018
/s/ Dennis M. McGrath Dennis M. McGrath	Director	March 19, 2018
/s/ Hila Karah Hila Karah	Director	March 19, 2018
/s/ Allen Kamer Allen Kamer	Director	March 19, 2018
/s/ Yalon Farhi Yalon Farhi	Director	March 19, 2018

DARIOHEALTH CORP. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

INDEX

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of DarioHealth Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of DarioHealth Corp. (the "Company") and its subsidiaries as of December 31, 2017 and 2016, the related consolidated statements of comprehensive loss, changes in stockholders' equity (deficiency) 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 and its subsidiaries 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 U.S. generally accepted accounting principles.

The Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1c to the financial statements, the Company has suffered recurring losses from operations and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1c. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

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 and its subsidiaries 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 2012.
Tel-Aviv, Israel
March 19, 2018

DARIOHEALTH CORP. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	December 31,	
	2017	**2016**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,718	$ 1,093
Short-term bank deposits	258	225
Trade receivables	282	226
Inventories	1,184	888
Other accounts receivable and prepaid expenses	604	504
Total current assets	6,046	2,936
LEASE DEPOSITS	42	35
PROPERTY AND EQUIPMENT, NET	869	901
Total assets	$ 6,957	$ 3,872

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

DARIOHEALTH CORP. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

	December 31,	
	2017	**2016**
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)		
CURRENT LIABILITIES:		
Trade payables	$ 1,852	$ 1,812
Other accounts payable and accrued expenses	1,163	1,113
Total current liabilities	3,015	2,925
LIABILITY RELATED TO WARRANTS	1	7,488
STOCKHOLDERS' EQUITY (DEFICIENCY)		
Common Stock of $0.0001 par value - Authorized: 160,000,000 shares at December 31, 2017 and 2016; Issued and Outstanding: 14,074,238 and 5,713,383 shares at December 31, 2017 and 2016, respectively	7	6
Preferred Stock of $0.0001 par value - Authorized: 5,000,000 shares at December 31, 2017 and 2016; Issued and Outstanding: None at December 31, 2017 and December 31, 2016	-	-
Additional paid-in capital	74,892	48,413
Accumulated deficit	(70,958)	(54,960)
Total stockholders' equity (deficiency)	3,941	(6,541)
Total liabilities and stockholders' equity (deficiency)	$ 6,957	$ 3,872

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

DARIOHEALTH CORP. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

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

	Year ended December 31,	
	2017	**2016**
Revenues	$ 5,170	$ 2,803
Cost of revenues	3,859	3,364
Impairment of production line	-	269
Gross profit (loss)	1,311	(830)
Operating expenses:		
Research and development	$ 3,297	$ 2,154
Sales and marketing	7,707	4,739
General and administrative	4,726	3,378
Total operating expenses	15,730	10,271
Operating loss	14,419	11,101
Financial expenses (income), net:		
Revaluation of warrants	1,168	(260)
Other financial expense, net	156	46
Total financial expenses (income), net	1,324	(214)
Net loss	$ 15,743	$ 10,887
Deemed dividend	255	710
Net loss attributable to holders of Common Stock	$ 15,998	$ 11,607
Net loss per share:		
Basic and diluted loss per share	$ 1.64	$ 2.09
Weighted average number of Common Stock used in computing basic and diluted net loss per share	9,628,256	5,202,974

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

DARIOHEALTH CORP. AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

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

	Common Stock		Preferred Stock		Additional paid-in capital	Accumulated deficit	Total stockholders' equity (deficiency)
	Number	Amount	Number	Amount			
Balance as of December 31, 2015	2,911,788	$ 5	-	$ -	$ 41,769	$ (43,354)	$ (1,580)
Issuance of Common Stock in March 2016 Public Offering, net of issuance cost	1,333,333	1	-	-	1,571	-	1,572
Issuance of Common Stock in March 2016 Private Placement, net of issuance cost	599,999	*) -	-	-	828	-	828
Issuance of Common Stock in January 2016 to service provider	5,556	*) -	-	-	37	-	37
Payment for executives, employee and directors under Salary Program	57,910	*) -	-	-	310	-	310
Issuance of Common Stock in March 2016 to officer	20,000	*) -	-	-	86	-	86
Exercise of warrants into Common Stock, net of issuance cost	77,019	*) -	-	-	210	-	210
Exercise of non-plan options	84,106	*) -	-	-	*) -	-	*) -
Deemed dividend related to Series A Preferred Stock exchange agreement into Common Stock in March 2016	124,737	-	-	-	455	(455)	-
Deemed dividend related to extension of July 2015 Series A warrants in July 2016	-	-	-	-	265	(265)	-
Conversion of Series A Preferred Stock into Common Stock	498,935	*) -	-	-	2,277	-	2,277
Stock-based compensation	-	-	-	-	605	-	605
Net loss	-	-	-	-	-	(10,887)	(10,887)
Balance as of December 31, 2016	5,713,383	6	-	-	48,413	(54,960)	(6,541)
Issuance of Common Stock in January 2017 Private Placement, net of issuance cost	1,113,922	*) -	-	-	2,936	-	2,936
Payment for executives and directors under Stock for Salary Program	271,880	*) -	-	-	707	-	707
Issuance of Common Stock to Employees	474,880	*) -	-	-	1,514	-	1,514
Issuance of Common Stock to consultants and service provider	281,681	*) -	-	-	874	-	874
Issuance of Common Stock in March 2017 Private Placement, net of issuance cost	707,515	*) -	-	-	1,878	-	1,878
Reclassification of warrants from liability to equity on March 8, 2017	-	-	-	-	8,655	-	8,655
Issuance of Common Stock in April 2017 Public offering, net of issuance cost	1,450,000	1	-	-	3,854	-	3,855
Exercise of options	91,855	*) -	-	-	*) -	-	*) -
Issuance of Common Stock in August 2017 Private Placement, net of issuance cost	483,333	*) -	-	-	801	-	801
Issuance of Preferred Stock in August 2017 Private placement, net of issuance cost	-	-	2,307,654	*) -	3,711	-	3,711
Issuance of Common stock in November 2017 warrant exchange agreement	1,039,676	*) -	-	-	-	-	*) -
Conversion of Preferred Stock to Common Stock	2,307,654	*) -	(2,307,654)	*) -	-	-	-
Deemed dividend related to Stock dividend	138,459	*) -	-	-	255	(255)	-
Stock-based compensation	-	-	-	-	1,294	-	1,294
Net loss	-	-	-	-	-	(15,743)	(15,743)
Balance as of December 31, 2017	14,074,238	$ 7	-	$ *) -	$ 74,892	$ (70,958)	$ 3,941

*) Represents an amount lower than $1.

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

DARIOHEALTH CORP. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,	
	2017	**2016**
Cash flows from operating activities:		
Net loss	$ (15,743)	$ (10,887)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Stock-based compensation and Common Stock to service providers	3,824	1,038
Depreciation	195	387
Write-off of a production line	-	269
Decrease (increase) in trade receivables	(56)	(226)
Increase (decrease) in deferred revenues	-	(31)
Decrease (increase) in other accounts receivable and prepaid expenses	(99)	406
Increase in inventories	(295)	(287)
Increase in trade payables	39	834
Increase in other accounts payable and accrued expenses	334	378
Change in the fair value of warrants to purchase shares of Common Stock	1,168	(260)
Revaluation of short-term bank deposits	(17)	
Loss from disposal of fixed assets	31	-
Net cash used in operating activities	(10,619)	(8,379)
Cash flows from investing activities:		
Investment in short-term bank deposits	(17)	(145)
Investment in lease deposit, net	(7)	6
Purchase of property and equipment	(195)	(808)
Net cash used in investing activities	(219)	(947)
Cash flows from financing activities:		
Proceeds from issuance of shares and warrants, net of issuance cost	13,463	7,538
Proceeds from exercise of warrants	*) -	210
Net cash provided by financing activities	13,463	7,748
Increase (decrease) in cash and cash equivalents	2,625	(1,578)
Cash and cash equivalents at beginning of year	1,093	2,671
Cash and cash equivalents at end of year	$ 3,718	$ 1,093
Non-cash investing and financing activities:		
Conversion of Series A Preferred Stock to Common stock	$ -	$ 2,277
Reclassification of warrants from liability to equity	$ 8,655	$ -
Payment for executives and directors under Salary Program	$ 183	$ 154

*) Represents an amount lower than $1.

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

NOTE 1:- GENERAL

a. DarioHealth Corp. (the "Company") was incorporated in Delaware and commenced operations on August 11, 2011. In July 2016, the Company's Board of Directors approved the change of the Company's name to DarioHealth Corp., which became effective on July 28, 2016. The Company is a digital health (mHealth) company that is developing and commercializing a patented and proprietary technology providing consumers with laboratory-testing capabilities using smart phones and other mobile devices. The Company's flagship product, Dario™, also referred to as the Dario™ Smart Diabetes Management Solution, is a mobile, real-time, cloud-based, diabetes management solution based on an innovative, multi-feature software application combined with a stylish, 'all-in-one', pocket-sized, blood glucose monitoring device, which is called the Dario™ Smart Meter.

b. The Company's wholly owned subsidiary, LabStyle Innovation Ltd. ("Ltd." or "Subsidiary"), was incorporated and commenced operations on September 14, 2011 in Israel. Its principal business activity is to hold the Company's intellectual property and to perform research and development, manufacturing, marketing and other business activities. Ltd. has a wholly-owned subsidiary, LabStyle Innovations US LLC, a Delaware limited liability company ("LabStyle US"), which was established in 2014, however it has not started its operations to date and was dissolved by the end of 2017.

c. During the year ended December 31, 2017, the Company incurred recurring operating losses and negative cash flows from operating activities amounting to $14,419 and $10,619, respectively. The Company will be required to obtain additional liquidity resources in the near term in order to support the commercialization of its products and maintain its research and development activities. The Company is addressing its liquidity needs by seeking additional funding from public and/or private sources and by ramping up its commercial sales (see also Note 12). There are no assurances, however, that the Company will be able to obtain an adequate level of financial resources that are required for the short and long-term development and commercialization of its product. According to management estimates, the Company has sufficient liquidity resources to continue its planned activity into March 2019.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

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

NOTE 1:- GENERAL (Cont.)

e. On February 17, 2016, the Company's Board of Directors approved a reverse split in a ratio of one-to-eighteen (the "2016 Reverse Split"). The 2016 Reverse Split was implemented on February 26, 2016. The amount of authorized Common Stock as well as the par value for the Common Stock were not affected. All issued and outstanding share and per share amounts included in the accompanying consolidated financial statements have been adjusted to reflect this reverse stock split for all periods presented.

f. On March 4, 2016, the Company's Common Stock and warrants were approved for listing on the Nasdaq Capital Market under the symbols "DRIO" and "DRIOW," respectively.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

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

a. Use of estimates:

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

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

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

The accompanying consolidated financial statements have been prepared in dollars.

The Company's financing activities are incurred in U.S. dollars. Although a portion of the Subsidiary's expenses is denominated in New Israeli Shekels ("NIS") (mainly cost of personnel), a substantial portion of its expenses is denominated in dollars. Accordingly, the Company's management believes that the currency of the primary economic environment in which the Company and its subsidiary operate is the dollar; thus, the dollar is the functional currency of the Company.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Transactions and balances denominated in dollars are presented at their original amounts. Monetary accounts denominated in currencies other than the dollar are re-measured into dollars in accordance with Accounting Standard Codification ("ASC") 830, "Foreign Currency Matters". All transaction gains and losses of the re-measurement of monetary balance sheet items are reflected in the consolidated statements of comprehensive loss as financial income or expenses, as appropriate.

c. Principles of consolidation:

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

d. Cash and cash equivalents:

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

e. Short-term bank deposits:

Short-term bank deposits are restricted deposits with maturities of up to one year and are pledged in favor of the bank as a security for the Company's rent and credit payments. The short-term bank deposits are denominated in NIS and bear interest at an average rate of 0.01% and 0.1% as of December 31, 2017 and 2016, respectively. The short-term bank deposits are presented at their cost, including accrued interest.

f. Inventories:

Inventories are stated at the lower of cost plus allocable indirect costs or net realized value. Cost is determined on a "moving average" basis. Inventory write-down is provided to cover technological obsolescence, excess inventories and discontinued products. Inventory write-down represents the difference between the cost of the inventory and net realizable value. Inventory write-down is charged to the cost of revenues and ramp up of manufacturing when a new lower cost basis is established. Subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

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

Total write-offs during the years ended December 31, 2017 and 2016 amounted to $190 and $315, respectively.

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

g. Long-term lease deposits:

Long-term lease deposits include mainly long-term deposits for the Company's leased vehicles.

h. Property and equipment:

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

Property and equipment (Cont.):

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

i. Impairment of long-lived assets:

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

During the year ended December 31, 2016, the Company decided to cease the operation of one of its production lines and performed a recoverability test for such long-lived assets. Based on its analysis, the Company recorded a non-cash charge with respect to impairment of its production line in the amount of $269. This charge was recorded as a separate line in the consolidated statements of comprehensive loss for the year ended 2016.

Through December 31, 2017, no impairment was noted.

j. Revenue recognition:

Revenues from product sales are recognized in accordance with ASC 605-10 “Revenue Recognition”, when delivery has occurred, persuasive evidence of an agreement exists, the vendor’s fee is fixed or determinable, no further obligation exists and collectability is probable.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Revenue recognition (Cont.):

The Company derives revenues from the sale of its Dario Smart Meter and its related device-specific disposables test strip cartridges and lancets through independent distributors or directly to end users. The Dario software application is offered for a free download and the Company does not obtain a recurring hosting commitment towards the end users relating specifically to the application.

The Company generally has a standard contract with its distributors. According to the agreements, all sales to distributors are final, no rights of return or price protection right is granted to such distributors and the Company is not a party of the agreements between distributors and their customers.

Commencing July 1, 2016, product sales to distributors are recognized as revenues upon delivery, when the fee is fixed or determinable and collectability is probable.

k. Cost of revenues:

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

l. Concentrations of credit risk:

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

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

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

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m. Income taxes:

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). This guidance prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to amounts that are more likely than not to be realized. As of December 31, 2017 and 2016, a full valuation allowance was provided by the Company.

ASC 740 contains a two-step approach to recognizing and measuring a liability for uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. As of December 31, 2017 and 2016, no liability for unrecognized tax benefits was recorded as a result of the implementation of ASC 740.

n. Research and development costs:

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

o. Warrants:

The Company accounts for certain warrants held by investors and the Company’s previous placement agent and its permitted designees which include priced-based anti-dilution protection or certain net settlement cash features as a liability according to the provisions of ASC 815-40, "Derivatives and Hedging - Contracts in Entity's Own Equity" ("ASC 815"), which provides a new two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer's own stock and thus able to qualify to be a derivative financial instrument. The Company measures the warrants at fair value by using Black-Scholes-Merton option-pricing model in each reporting period until they are exercised or expired, with changes in the fair values being recognized in the Company's statement of comprehensive loss as financial income or expense.

p. Accounting for stock-based compensation:

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

The Company applies ASC 505-50, "Equity-Based Payments to Non-Employees" with respect to options and warrants issued to non-employees.

q. Fair value of financial instruments:

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

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

Fair value of financial instruments (Cont.):

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

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

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

The carrying amounts of cash and cash equivalents, short-term bank deposits, trade receivables, other accounts receivable and prepaid expenses, trade payables and other accounts payable and accrued expenses approximate their fair value due to the short-term maturity of such instruments. Warrants are classified within Level 3 because they are valued using valuation techniques. Some of the inputs to these models are unobservable in the market and are significant.

r. Basic and diluted net loss per share:

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

The total number of shares related to the outstanding warrants and options excluded from the calculations of diluted net loss per share due to their anti-dilutive effect was 1,434,924 and 3,208,430 for the year ended December 31, 2017 and 2016, respectively.

s. Severance pay:

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

t. Legal and other contingencies:

From time to time the Company is involved in claims and legal proceedings. The Company reviews the status of each matter and assesses its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, the Company accrues a liability for the estimated loss.

u. Impact of recently issued accounting pronouncements:

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, "Revenue from Contracts with Customers" Topic 606). This ASU provides a five-step approach to account for revenue arising from contracts with customers. The ASU requires an entity to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This revenue standard will be effective for the Company starting the first quarter of 2019. The new revenue standard permits companies to either apply the requirements retrospectively to all prior periods presented or apply the requirements in the year of adoption through a modified retrospective approach with a cumulative adjustment. The Company is in the process of determining the method of adoption and assessing the impact of ASU on the Company's consolidated financial position, results of operations and cash flows.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," which is intended to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. In order to meet that objective, the new standard requires recognition of the assets and liabilities that arise from leases. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. Accounting by lessors will remain largely unchanged from current U.S. generally accepted accounting principles. The new standard is effective for public companies for fiscal years beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. The Company is currently evaluating the effect that adopting this standard will have on the consolidated financial statements and related disclosures.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (ASU 2016-18), which requires companies to include amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This guidance will be effective from the first quarter of 2019 and early adoption is permitted. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements and related disclosures.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Impact of recently issued accounting pronouncements (Cont.):

In May 2017, the FASB issued ASU 2017-09, "Compensation - Stock Compensation (Topic 718), Scope of Modification Accounting." This ASU clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. Entities will apply the modification accounting guidance if the value, vesting conditions or classification of the award changes. They will have to make all of the disclosures about modifications that are required today, in addition to disclosing that compensation expense has not changed, to the extent applicable. The ASU also clarifies that a modification to an award could be significant and therefore require disclosure, even if modification accounting is not required. The Company adopted ASU 2017-09 on January 1, 2018 and it did not have an impact on its accounting and disclosures.

In July 2017, the FASB issued ASU No. 2017-11, "Earnings per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Non-public Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception." The amendments in Part I of ASU No. 2017-11 change the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features. The amendments in Part II of ASU No. 2017-11 recharacterize the indefinite deferral of certain provisions of Topic 480 that now are presented as pending content in the Codification, to a scope exception. Those amendments do not have an accounting effect. For public business entities, the amendments in Part I of ASU No. 2017-11 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements and related disclosures.

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

NOTE 3:- OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31,	
	2017	2016
Prepaid expenses	$ 451	$ 440
Government authorities	153	64
	$ 604	$ 504

NOTE 4:- INVENTORIES

	December 31,	
	2017	2016
Raw materials	$ 323	$ 431
Finished products	861	457
	$ 1,184	$ 888

NOTE 5:- PROPERTY AND EQUIPMENT, NET

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

	December 31,	
	2017	2016
Cost:		
Computers and peripheral equipment	$ 285	$ 245
Office furniture and equipment	106	75
Production lines	814	814
Leasehold improvement	141	53
	1,346	1,187
Accumulated depreciation:		
Computers and peripheral equipment	208	175
Office furniture and equipment	20	15
Production lines	246	92
Leasehold improvement	3	4
	477	286
Property and equipment, net	$ 869	$ 901

Depreciation expenses for the year ended December 31, 2017 and 2016 amounted to $195 and $387, respectively.

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

NOTE 6:- OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	December 31,	
	2017	2016
Employees and payroll accruals	$ 735	$ 491
Accrued expenses	428	622
	$ 1,163	$ 1,113

NOTE 7:- COMMITMENTS AND CONTINGENT LIABILITIES

a. The facilities and motor vehicles of the Company and its Subsidiary are leased under several operating lease agreements.

The Company is party to a lease agreement for its former U.S. headquarters facilities for a period of 1 year commencing February 1, 2016, and extended during 2017 until the end of March 2018. In December 2017, the Company signed a lease agreement for its U.S. headquarters facilities in New York.

Ltd. is party to a lease agreement in Israel for a period of 5 years starting from November 2017, and automatically renewed for additional 60 months.

Commencing November 13, 2011 and through the year ended 2020, Ltd. also entered into several motor vehicle lease agreements for a period of 36 months. As of December 31, 2017 the Company maintains 9 leased cars.

b. As of December 31, 2017, the future minimum aggregate lease commitments under non-cancelable operating lease agreements are as follows:

As of ended December 31,	Facilities	Motor vehicles	Total
2018	$ 270	$ 117	$ 387
2019	223	72	295
2020	200	20	220
2021	200	-	200
2022	200	-	200
	$ 1,093	$ 209	$ 1,302

Facility and motor vehicle lease expenses for the year ended December 31, 2017 and 2016 were $301 and $280, respectively.

c. As of December 31, 2017, Ltd. established guarantees to cover rent agreements and credit cards commitments that amounted to $127.

NOTE 8:- TAXES ON INCOME

a. The Company and Ltd. are separately taxed under the domestic tax laws of the state of incorporation of each entity. LabStyle US is a pass-through entity for U.S. income tax purposes.

On December 22, 2017, the U.S. Tax Cuts and Jobs Act of 2017 (the "TCJA") was signed into law resulting in significant changes from previous tax law. Some of the more meaningful provisions which will effect the Company are:

- A reduction in the U.S. federal corporate tax rate from 35% to 21%;
- Limitation on the deduction of certain interest expenses;
- Full expense deduction business capital expenditures;
- Limitation on the utilization of NOL's arising after December 31, 2017; and
- A system taxing foreign-sourced income from multinational corporations.

The Company has made a reasonable estimate for the measurement and accounting of certain effects of the TCJA which have been reflected in the consolidated financial statements for the year ended December 31, 2017. The items reflected as provisional amounts include:
A reduction in the U.S. federal corporate tax rate from 35% to 21%.

The TCJA is not expected to have an adverse material effect on the Company's consolidated financial statements for the year ended December 31, 2017.

b. Tax rates applicable to Ltd.:

Corporate tax rate in Israel in 2016 was 25% and 2017 was 24%.

In December 2016, the Israeli Parliament approved the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 which reduces the corporate income tax rate to 24% (instead of 25%) effective from January 1, 2017 and to 23% effective from January 1, 2018.

c. Net operating loss carryforward:

Ltd. has accumulated net operating losses for Israeli income tax purposes as of December 31, 2017 in the amount of approximately $40,369. The net operating losses may be carried forward and offset against taxable income in the future for an indefinite period.

As of December 31, 2017, the Company had a U.S. federal net operating loss carryforward of approximately $7,187 that can be carried forward and offset against taxable income and that expires during the years 2031 to 2035. Utilization of U.S. loss carryforward may be subject to substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code of 1986 and similar state provisions. The annual limitations may result in the expiration of losses before utilization.

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

NOTE 8:- TAXES ON INCOME (Cont.)

d. Deferred income taxes:

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

	December 31,	
	2017	2016
Deferred tax assets:		
Net operating loss carry forward	$ 10,794	$ 9,944
Temporary differences	620	445
Deferred tax assets before valuation allowance	11,414	10,389
Valuation allowance	(11,414)	(10,389)
Net deferred tax asset	$ -	$ -

The deferred tax balances included in the financial statements as of December 31, 2017 are calculated according to the tax rates that were in effect as of the reporting date and do take into account the potential effects of the reduction in the tax rate.

The net change in the total valuation allowance for the year ended December 31, 2017 was an increase of $1,025 and is mainly relates to increase in deferred taxes on net operating loss for which a full valuation allowance was recorded. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences and tax loss carryforward are deductible. Management considers the projected taxable income and tax-planning strategies in making this assessment. In consideration of the Company's accumulated losses and the uncertainty of its ability to utilize its deferred tax assets in the future, management currently believes that it is more likely than not that the Company will not realize its deferred tax assets and accordingly recorded a valuation allowance to fully offset all the deferred tax assets.

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

	Year ended December 31,	
	2017	2016
Domestic	$ 5,144	$ 3,972
Foreign	10,599	6,915
	$ 15,743	$ 10,887

f. The main reconciling item between the statutory tax rate of the Company and the effective tax rate is the recognition of valuation allowance in respect of deferred taxes relating to accumulated net operating losses carried forward due to the uncertainty of the realization of such deferred taxes.

NOTE 9:- STOCKHOLDERS' EQUITY

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

b. On September 23, 2014, the Company consummated the final closing of a private placement with existing and new institutional and accredited investors (the "September 2014 Private Placement") pursuant to which the Company raised $4,096 in net proceeds by issuance of aggregate 2,359 units which consist of 2,359 shares of newly designated Series A Convertible Preferred Stock (the "Series A Preferred Stock") which are convertible into up to an aggregate of 593,546 shares of Common Stock, and warrants to purchase 296,775 shares of Common Stock with an exercise price of $8.56 per share which is subject to a standard anti-dilution protection clause. Such warrants contain a net settlement cash feature and liquidated damages penalties and therefore accounted as a liability according to the provisions of ASC 815-40 "Contracts in entity's own equity".

On February 18, 2016, the Company entered into a Preferred Stock Conversion Agreement (the "Preferred Stock Conversion Agreement") with the holders of the Series A Preferred Stock according to which the then currently outstanding 1,984 shares of the Series A Preferred Stock would be converted into 623,672 shares of Common Stock, reflecting an increase of 25% in the original number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock. Accordingly, in March 2016 the Company issued to the remaining Purchasers 623,672 shares of Common Stock and recorded an increase of $2,277 to additional paid in capital, net of issuance costs. The increase of 25% in the original number of shares of Common Stock issued to holders of the Series A Preferred Stock was accounted for as change in the conversion terms in the Company's 2016 financial statements and a deemed dividend in the amount of $455 was recorded to the Statement of Changes in Equity (Deficiency).

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

During the year ended December 31, 2017 and 2016, the Company issued 271,880 and 57,910, respectively, Compensation Shares to certain members of the Board of Directors and officers as consideration for a waiver of cash owed to such individuals amounting to $707 and $310, respectively.

NOTE 9:- STOCKHOLDERS' EQUITY (Cont.)

d. On March 8, 2016, the Company closed a public offering (the "Public Offering") of 1,333,333 shares of the Common Stock, at a purchase price of $4.50 per share, and 1,333,333 immediately exercisable five-year warrants (the "March 2016 Warrants") each to purchase one share of Common Stock with an exercise price of $4.50 per share, at a purchase price of $0.01 per Warrant for a consideration of $5,038, net of issuance costs. Out of the above issuance, 111,112 shares of Common Stock were issued to the Chief Financial Officer of the Company for gross proceeds of $500.

The March 2016 Warrants are exercisable for cash or on a cashless basis if no registration statement covering the resale of the shares issuable upon exercise of the Warrants is available. The March 2016 Warrant included an exercise price adjustment feature for a twelve months period from the issuance date that will adjust the warrant exercise price in case the Company will issue securities in a price lower than $4.50 per share and therefore accounted as a liability according to the provision of ASC 815-40 "Contracts in entity's own equity". Following January 2017 private placement, the exercise price of the warrant was adjusted to $4.34 per share.

In addition, the Company granted to the underwriters 200,000 additional shares of Common Stock and 200,000 warrants (the "Option Warrants") each to purchase one share of Common Stock at a purchase price of $4.185 per Share and $0.0093 per Warrant. In connection with the Public Offering, the Company agreed to issue to the representatives of the underwriters' five-year warrants (the "Representatives' Warrants") to purchase up to 143,333 shares of Common Stock. In connection with the Public Offering, the Representatives' Warrants are exercisable at a per share exercise price equal to $5.625 per share of Common Stock for cash or on a cashless basis if no registration statement covering the resale of the shares issuable upon exercise of the Representatives' Warrants is available.

On March 3, 2016, concurrent with the Public Offering, the Company entered into securities purchase agreements (the "Securities Purchase Agreements") with certain existing shareholders (the "Investors") with respect to the sale in a private placement (the "Private Offering") of 555,555 of the Company's units (the "Units"). The purchase price per Unit was $4.50 and the total consideration amounted to $2,500, net of issuance costs. Each Unit sold in the Private Offering is comprised of (i) one share of Common Stock, and (ii) one warrant to purchase 1.2 shares of Common Stock (the "2016 Series A Warrant") which is immediately exercisable at an exercise price of $4.50 per share of Common Stock and expires 5 years from the date of issuance. In total, in the Private Offering, the Company issued 555,555 shares of Common Stock and 2016 Series A Warrants exercisable for an aggregate of 666,666 shares of Common Stock. The 2016 Series A Warrants are exercisable for cash or on a cashless basis if no registration statement covering the resale of the shares issuable upon exercise of the 2016 Series A Warrants is available. The 2016 Series A Warrant included an exercise price adjustment feature for a twelve months period from the issuance date that will adjust the warrant exercise price in case the Company will issue securities in a price lower than $4.50 per share and therefore accounted as a liability according to the provision of ASC 815-40 "Contracts in entity's own equity". Following January 2017 private placement, the exercise price of the warrant was adjusted to $4.34 per share.

NOTE 9:- STOCKHOLDERS' EQUITY (Cont.)

In connection with the Private Offering, the Company agreed to issue to two non-U.S. finders an aggregate of 44,444 restricted shares of Common Stock, 73,333 warrants to purchase Common Stock at an exercise price of $4.50 per share which expire 5 years from the date of issuance, and 38,889 non-plan stock options which have an exercise price of $0.0001 per share and are fully vested and exercisable after the lapse of four months from the grant date.

On March 8, 2017, the March 2016 Warrant and 2016 Series A Warrant exercise price adjustment feature expired. The Company re-measured the warrant liability on March 8, 2017 and recorded financial expense from revaluation of the warrant in an amount of $1,066 and an amount of $7,644 was classified from liability to equity (see also Note 10).

e. In March 2016, the Company's Board of Directors approved the issuance of 20,000 shares of Common Stock under the 2012 Equity Incentive Plan to an officer according to the Israeli sub-plan. Consequently, the Company recorded General and Administrative expenses amounting to $86.

f. On July 23, 2015 and August 28, 2015, the Company completed two closings of a private placement (the “July 2015 Private Placement”). The Company issued in the July 2015 Private Placement series A warrants to purchase 261,677 shares of Common Stock (the “2015 Series A Warrants”). The 2015 Series A Warrants were immediately exercisable at an exercise price of $6.30 per share and expire 12 months from the closing date.

In July 2016, following the request of substantially all of the buyers to amend the term of the existing warrants, the Company's Board of Directors approved a Warrant Amendment Agreement, according to which the term of the 2015 Series A Warrants were extended by one year and the exercise price was amended to $6.66 per share. This modification is considered a modification of the original terms of the 2015 Series A Warrants and therefore the Company recorded a deemed dividend in the amount of approximately $265 in the third quarter of 2016.

g. On August 10, 2016, the Company entered into an agreement (the “Agreement”) with Dicilyon Consulting and Investment Ltd., an existing stockholder (the “Stockholder”), and David Edery, who previously purchased certain securities from the Company, which were granted certain registration right which required, among other things, the continued effectiveness of certain registration statements. In consideration of the Stockholder waiving its registration right with respect to the previously purchased securities, the Company agreed to issue to the Stockholder a warrant, or the Warrant, to purchase 300,000 shares of Common Stock at an exercise price of $4.50 per share exercisable for a period of 4.5 years from the date of the Agreement. In addition, the Company also agreed to register the shares of Common Stock underlying the Warrant. The Warrant is exercisable for cash or on a cashless basis if a registration statement covering the shares issuable upon exercise of the Warrants is unavailable. The Warrant included an exercise price adjustment feature for a seven months period from the issuance date that will adjust the warrant exercise price in case the Company will issue securities in a price lower than $4.50 per share and therefore accounted as a liability according to the provision of ASC 815-40 "Contracts in entity's own equity". As a result of the Agreement the Company recorded registration right waiver in the amount of $702 as financial expense, net in 2016. Following January 2017 private placement, the exercise price of the warrant was adjusted to $4.34 per share.

On March 8, 2017, the Warrant exercise price adjustment feature expired. The Company re-measured the warrant liability on March 8, 2017 and recorded financial expense from revaluation of the warrant in an amount of $141 and an amount of $1,011 was classified from liability to equity (see also Note 10).

NOTE 9:- STOCKHOLDERS' EQUITY (Cont.)

i. On January 9, 2017, the Company commenced a private placement offering of up to $5,100 consisting of up to 1,821,437 shares of the Company's Common Stock and warrants to purchase up to 1,821,437 shares of Common Stock. The warrants are exercisable after the six-month anniversary of each respective closing and will expire on the 5-year anniversary of their issuance. On January 9, 2017, the Company held the initial closing of the offering with a lead investor and an additional investor and issued 1,113,922 shares of Common Stock and warrants to purchase 1,113,922 shares of Common Stock for aggregate gross proceeds of approximately $3,119 ($2,936 net of issuance expenses). On January 11, 2017, the Company entered into securities purchase agreements with certain investors for the future issuance and sale of 707,515 shares of Common Stock and warrants to purchase 707,515 shares of Common Stock, provided that the issuance and sale of such securities shall only occur upon obtaining stockholder approval, pursuant to Nasdaq rules. The Company's stockholders approved the issuance and sale of the securities on March 9, 2017 and the closing of the private placement offering, with aggregate gross proceeds of $1,981 ($1,878 net of issuance expenses), occurred on March 9, 2017.

j. During 2017, the Company's Compensation Committee of the Board of Directors approved the grants of 756,561 shares of Common Stock to officers, employees, service providers and consultants of the Company. 110,987 of these shares were issued to service provider in lieu of $298 owed in cash to them. The shares were issued under the 2012 Plan.

k. On April 5, 2017, the Company closed a public offering (the "2017 Public Offering") of 1,450,000 shares of Common Stock, at a purchase price of $3.10 per share, for an aggregate consideration of $3,855, net of issuance costs. The shares were offered, issued and sold pursuant to a shelf registration statement filed with the Securities and Exchange Commission. In connection with the 2017 Public Offering, the Company agreed to issue to the representative of the underwriters' five-year warrants to purchase up to 36,250 shares of Common Stock at an exercise price equal to $3.875 per share of Common Stock for cash or on a cashless basis if no registration statement covering the resale of the shares issuable upon exercise of the warrants is available.

NOTE 9:- STOCKHOLDERS' EQUITY (Cont.)

l. On August 22, 2017, the Company closed two concurrent private placements offerings consisting of 483,333 shares of the Company's Common Stock, and 2,307,654 shares of the Company's newly designated Series B Convertible Preferred Stock (the "Series B Preferred Stock"), for aggregate gross proceeds of approximately $5,024 ($4,793 net of issuance expenses). The shares of Series B Preferred Stock are convertible into an aggregate of 2,307,654 shares of Common Stock based on a conversion price of $1.80 per share. Such conversion price is not subject to any future price-based anti-dilution adjustments except for standard anti-dilution protection. The shares of Series B Preferred Stock are not redeemable nor contingently redeemable. The holders of the Series B Preferred Stock were not entitled to convert such preferred stock into shares of the Company's Common Stock until the Company obtained stockholder approval for such issuance and upon obtaining such stockholder approval automatically converted into shares of Common Stock. In addition, the holders of the Series B Preferred Stock were entitled to a 6% fixed dividend, payable in shares of Common Stock, to be payable upon the automatic conversion of the Series B Preferred Stock. The holders of the Series B Preferred Stock do not possess any voting rights but the Series B Preferred Stock does carry a liquidation preference for each holder equal to the investment made by such holder in the Offering. In addition, the holders of Series B Preferred Stock are eligible to participate in dividends and other distributions by the Company on an as converted basis.

Following stockholders' approval on December 4, 2017 all the Preferred Stock were converted into 2,307,654 shares of Common Stock and a 6% fixed dividend of 138,459 shares of Common Stock was granted. The Company accounted for the 6% fixed dividend as a deemed dividend in a total amount of $255.

m. In November 2017, the Company entered into an exchange agreement (the "Exchange Agreement") with certain Company warrant holders who were granted warrants to purchase shares of Common Stock on August 10, 2016 and January 2017 private placement. Pursuant to the terms of the Exchange Agreement, the warrant holders agreed to surrender and cancellation of their warrants to purchase an aggregate of 1,871,436 shares of Common Stock and received, as consideration for such cancellation, an aggregate of 1,039,676 shares of Common Stock, creating to benefit to the warrant holders.

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

NOTE 9:- STOCKHOLDERS' EQUITY (Cont.)

n. The table below summarizes the outstanding warrants as of December 31, 2017:

	Warrants outstanding as of December 31, 2017	Exercise price $	Expiration date
September 2014 PPM	56,765	8.56	September 23, 2018
September 2014 PPM - Warrant Replacement Agreement	264,012	8.56	September 23, 2018
February 2015 PPM A (*)	4,630	4.32	November 25,2015
February 2015 PPM B	125,903	5.40	February 25,2018
February 2015 PPM A - Finders	13,415	3.24	February 25,2018
February 2015 PPM - C Finders	3,355	5.40	February 25,2018
February 2015 PPM - B 2nd closing	30,866	5.40	March 16, 2018
July 2015 PPM - 2015 Series B Warrants - 1st Closing	138,910	7.20	July 23, 2018
July 2015 PPM - 2015 Series B Warrants (Finder's warrants)	17,213	7.20	August 28, 2018
July 2015 PPM - 2015 Series B Warrants - 2nd Closing	93,077	7.20	August 28, 2018
July 2015 PPM (PA) - 1st Closing	23,613	5.40	July 23, 2018
July 2015 PPM (PA) - 2015 Series B Warrants - 1st Closing	11,807	7.20	July 23, 2018
July 2015 PPM (PA) - 2nd Closing	1,341	5.40	August 28, 2018
July 2015 PPM (PA) - 2015 Series B Warrants - 2nd Closing	671	7.20	August 28, 2018
November 2015 PPM - 2015 Series B Warrants (Finder's warrants)	13,720	7.74	November 19, 2018
November 2015 PPM - Series B Warrants	127,485	7.74	November 19, 2018
March 2016 PPM -Warrants	1,528,333	4.34	March 8, 2021
March 2016 PPM - (Finder’s Warrants)	73,333	4.34	March 8, 2021
March 2016 Public Offering - Warrants	666,666	4.34	March 8, 2021
March 2016 Public Offering - Representative’s Warrants	143,333	5.625	March 8, 2021
January 2017 Warrants	250,001	3.50	January 9, 2022
January 2017 Finder Warrants	30,357	3.50	January 9, 2022
March 2017 Public Offering - Representative’s Warrants	36,250	3.875	March 31, 2022
Total outstanding	3,655,056		

(*) Warrants for which cash has been received by the Company but no securities issued.

During the year ended December 31, 2016, proceeds from warrants exercised amounted to $210 following the issuance of 77,019 shares of Common Stock out of which 27,236 were issued utilizing a cashless exercise feature. No warrants were exercised in 2017.

NOTE 9:- STOCKHOLDERS' EQUITY (Cont.)

o. Stock-based compensation:

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

   On November 30, 2016, the Company held its 2016 Annual Meeting of Stockholders in which, among other matters, Company stockholders approved to amend the 2012 Plan, and to increase the number of shares authorized for issuance under the 2012 Plan by 1,127,166 shares from 745,834 to 1,873,000.

   On March 9, 2017, the Company held a Special Meeting of Stockholders in which, among other matters, Company stockholders approved to amend the 2012 Plan, and to increase the number of shares authorized for issuance under the 2012 Plan by 500,000 shares from 1,873,000 to 2,373,000.

   On December 4, 2017, the Company held its 2017 Annual Meeting of Stockholders in which, among other matters, Company stockholders approved to amend the 2012 Plan, and to increase the number of shares authorized for issuance under the 2012 Plan by 1,500,000 shares from 2,373,000 to 3,873,000.

2. On June 19, 2016, the Company's Compensation Committee of the Board of Directors approved the grant of 67,667 options to employees of the Company, at an exercise price of $4.80 per share. The options shall vest over a period of three years commencing on the grant date. All the options have a six-year term. All options were issued under the 2012 Plan.

   On January 30, 2017, the Company's Compensation Committee of the Board of Directors approved the grant of 313,721 options to directors, officers and employees of the Company, at an exercise price of $3.202 per share. The options shall vest over a period of three years commencing on the grant date. All the options have a six-year term. All options were issued under the 2012 Plan.

   On February 6, 2017, the Company's Compensation Committee of the Board of Directors approved the grants of 174,000, and 55,050 options to employees and consultants of the Company, respectively, at exercise prices of between $0.0001 and $4.121 per share. The options shall vest over a period of three years commencing on the grant date. All the options have a six-year term. All options were issued under the 2012 Plan. 34,050 of the option to consultants were granted instead of cash owed for services provided during the period from July through December 2016.

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

NOTE 9:- STOCKHOLDERS' EQUITY (Cont.)

On June 26, 2017, the Company's Compensation Committee of the Board of Directors approved the grants of 69,000 and 194,142 options to employees and consultants of the Company, respectively, at exercise prices of between $0.0001 and $2.46 per share. The options shall vest over a period of up to three years commencing on the grant date. 8,142 of the options issued to a consultant were in lieu of a cash waiver of $30 by the consultant. All the options have a six-year term All options were issued under the 2012 Plan.

On September 14, 2017, the Company's Compensation Committee of the Board of Directors approved the grants of 40,000 options a consultant of the Company, at exercise prices of $2.50 per share. The option is fully vested on the grant date, and the option has a five-year term. The option was issued under the 2012 Plan.

On December 14, 2017, the Company's Compensation Committee of the Board of Directors approved the grants of 40,424 options to a consultant of the Company, at exercise prices of $0.0001 per share. The option is fully vested on the grant date, and has a six-year term The option was issued under the 2012 Plan. This option was issued in lieu of a cash waiver of $95 by the consultant.

Transactions related to the grant of options to employees, directors and non-employees under the above plans during the year ended December 31, 2017 were as follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life	Aggregate Intrinsic value
		$	Years	$
Options outstanding at beginning of year	583,334	16.53	4.87	7
Options granted	980,335	1.68		
Options exercised	91,855	-		
Options forfeited	63,380	4.62		
Options expired	30,274	36.02		
Options outstanding at end of year	1,378,160	7.39	4.75	437
Options vested and expected to vest at end of year	1,261,465	7.60	4.76	437
Exercisable at end of year	696,783	11.85	4.64	357

Weighted average fair value of options granted during the year ended December 31, 2017 and 2016 is $2.07 and $2.86, respectively.

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

NOTE 9:- STOCKHOLDERS' EQUITY (Cont.)

The aggregate intrinsic value in the table above represents the total intrinsic value (the difference between the Company's closing stock price on the last day of fiscal 2017 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2017. This amount is impacted by the changes in the fair market value of the Common Stock.

The following table presents the assumptions used to estimate the fair values of the options granted to employees and directors in the period presented:

	Year ended December 31,	
	2017	**2016**
Volatility	103.52%-154.75%	82.36%-86.03%
Risk-free interest rate	1.54%-1.83%	0.91%-0.99%
Dividend yield	0%	0%
Expected life (years)	3.5-4.5	3.5-4.06

The following table presents the assumptions used to estimate the fair values of the options granted to non-employees in the period presented:

	Year ended December 31,	
	2017	**2016**
Volatility	100.65%-150.84%	71.17%-89.82%
Risk-free interest rate	1.78%-2.05%	1.36%-2.05%
Dividend yield	0%	0%
Expected life (years)	3.67-6	4.67-8.01

As of December 31, 2017, the total unrecognized estimated compensation cost related to non-vested stock options granted prior to that date was $1,080, which is expected to be recognized over a weighted average period of approximately 1 year.

The total compensation cost related to all of the Company's equity-based awards, recognized during year ended December 31, 2017 and 2016 were comprised as follows:

	Year ended December 31,	
	2017	**2016**
Cost of revenues	$ 138	$ 73
Research and development	316	91
Sales, marketing and pre-production costs	581	97
General and administrative	2,789	777
Total stock-based compensation expenses	$ 3,824	$ 1,038

NOTE 10:- LIABILITY RELATED TO WARRANTS

a. On March 30, 2012, the Company consummated the final closing of the 2011-2012 Private Placement pursuant to which certain accredited investors purchased an aggregate of 27,345 shares of Common Stock and warrants to purchase 27,345 shares of Common Stock at an exercise price of $135 per share for total consideration of $2,461.

The placement agent for the 2011-2012 Private Placement and its permitted designees were granted warrants to purchase an aggregate of (i) 5,358 shares of Common Stock at the exercise price of $90.00 per share and (ii) 5,358 shares of Common Stock at the exercise price of $135 per share.

Subsequent to the issuance of the 2011-2012 Private Placement warrants the original exercise price of the warrants for the investors and placement agent was adjusted from $135 per share to $3.59 per share and an additional 950,177 and 180,556 warrants were issued, respectively. In addition, the exercise price for the placement agent warrants of the 2011-2012 Private Placement, with an original exercise price of $90.00 per share was adjusted to $3.33 per share and an additional 119,705 warrants were issued.

As of December 31, 2016, the 2011-2012 Private Placement warrants expired unexercised.

b. On September 23, 2014, the Company consummated the September 2014 Private Placement (see also Notes 9b).

c. On March 8, 2016, the Company consummated the final closing of a Public Offering and a concurrent Private Placement (see also Note 9d).

d. On August 10, 2016, the Company entered into the Agreement with the Stockholder and David Edery (see also Note 9g).

The warrants of the September 2014 Private Placement, the warrants of the March 2016 Public Offering and Private Placement and the Warrants of the August 2016 agreement, contain certain net settlement cash features and liquidated damages penalties and therefore the Company accounts for such warrants as a liability according to the provisions of ASC 815-40 and re-measured using the Black-Scholes-Merton option-pricing model as described below.

NOTE 10:- LIABILITY RELATED TO WARRANTS (Cont.)

In estimating the investors' warrants in September 2014 Private Placement fair value, the Company used the following assumptions as of December 31, 2016: risk-free interest rates of 1.11%, volatility of 91.65%, dividend yields of 0% and a contractual life of 1.73 years. Fair value per warrant $0.70.

In estimating the investors' warrants in September 2014 Private Placement fair value, the Company used the following assumptions as of December 31, 2017: risk-free interest rates of 1.65%, volatility of 81.44%, dividend yields of 0% and a contractual life of 0.73 years. Fair value per warrant $0.01.

In estimating the investors' warrants in March 2016 Public and Private Placement and the investors warrants in August 2016 fair value, the Company used the following assumptions as of December 31, 2016: risk-free interest rates of 0.48%-1.74%, volatility of 71.99%-74.72%, dividend yields of 0% and a contractual life of 0.18-4.18 years. Fair value per warrant $2.90.

In estimating the investors' warrants in March 2016 Public and Private Placement and the investors warrants in August 2016 fair value, the Company used the following assumptions as of March 31, 2017: risk-free interest rates of 1.87%, volatility of 155.4%, dividend yields of 0% and a contractual life of 4 years. Fair value per warrant $3.37.

(1) Risk-free interest rate - based on yield rates of non-index linked U.S. Federal Reserve treasury bonds.

(2) Expected volatility - was calculated based on actual historical stock price movements of the Company over a term that is equivalent to the expected term of the option.

(3) Expected life - the expected life was based on the expiration date of the warrants.

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

NOTE 10:- LIABILITY RELATED TO WARRANTS (Cont.)

(4) Expected dividend yield - was based on the fact that the Company has not paid dividends to its shareholders in the past and does not expect to pay dividends to its shareholders in the future.

The changes in Level 3 liabilities associated with the September 2014 Private Placement warrants, the March 2016 Public Offering and Private Placement and the August 2016 Private Placement, are measured at fair value on a recurring basis. The following tabular presentation reflects the components of the liability associated with such warrants as of December 31, 2017:

	Fair value of liability related to warrants
Balance at December 31, 2016	$ 7,488
Reclassification of warrant from liability to equity	(8,655)
Change in fair value of warrants during the period	1,168
Balance at December 31, 2017	$ 1

NOTE 11:- SELECTED STATEMENTS OF OPERATIONS DATA

Financial expenses (income), net:

	Year ended December 31,	
	2017	2016
Bank charges	$ 171	$ 20
Foreign currency adjustments losses (gain)	(15)	26
Change in the fair value of warrants	1,168	(260)
Total Financial income, net	$ 1,324	$ (214)

NOTE 12:- SUBSEQUENT EVENTS

a. In January 2018, 102,548 Compensation Shares of Common Stock were issued to certain members of the Board of Directors, Officers and employees of the Company as consideration for a reduction in or waiver of cash salary or fees amounting to $161 owed to such individuals. The shares were issued under the 2012 Plan.

b. In January 4, 2018, 8,859 Compensation Shares of Common Stock were issued to certain service provider instead of $15 owed to him for services provided during the fourth quarter of 2016. The shares were issued under the 2012 Plan.

c. On February 28, 2018 and March 6, 2018, the Company closed two concurrent private placements offerings consisting of 2,262,269 shares of the Company's Common Stock at $1.40 per share, 1,234,080 shares of the Company's newly designated Series C Convertible Preferred Stock (the "Series C Preferred Stock"), for aggregate gross proceeds of approximately $6,623 ($6,048 net of issuance expenses) at $2.80 per share, and warrants to purchase up to 3,784,351 shares of Common Stock. The shares of Series C Preferred Stock are convertible into an aggregate of 2,468,160 shares of Common Stock based on a conversion price of $1.40 per share. Such conversion price is not subject to any future price-based anti-dilution adjustments except for standard anti-dilution protection. The shares of Series C Preferred Stock are not redeemable nor contingently redeemable. The holders of the Series C Preferred Stock will not be entitled to convert such preferred stock into shares of the Company's Common Stock until the Company obtains stockholder approval for such issuance and upon obtaining such stockholder approval shall automatically convert into shares of Common Stock. The holders of the Series C Preferred Stock do not possess any voting rights but the Series C Preferred Stock does carry a liquidation preference for each holder equal to the investment made by such holder in the Offering. In addition, the holders of Series C Preferred Stock are eligible to participate in dividends and other distributions by the Company on an as converted basis. The warrants are exercisable after the six-month anniversary of each respective closing and will expire on the 18 month anniversary of their issuance.

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Exhibit 10.36

SECURITIES PURCHASE AGREEMENT

This **SECURITIES PURCHASE AGREEMENT** (this "Agreement") is dated as of February 28, 2018, by and among DarioHealth Corp., a Delaware corporation (the "Company"), and each purchaser identified on the signature pages hereto (each, including its successors and assigns, a "Purchaser" and collectively, the "Purchasers").

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act") and Rule 506(b) of Regulation D and Rule 903 of Regulation S promulgated thereunder, the Company desires to issue and sell to each Purchaser, and each Purchaser, severally and not jointly, desires to purchase from the Company, securities of the Company as more fully described in this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the Company and each Purchaser agree as follows:

ARTICLE I.
DEFINITIONS

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement, the following capitalized terms have the meanings set forth in this Section 1.1:

"Acquiring Person" shall have the meaning ascribed to such term in Section 4.7.

"Action" shall have the meaning ascribed to such term in Section 3.1(j).

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

"BHCA" shall have the meaning ascribed to such term in Section 3.1(hh).

"Board of Directors" means the board of directors of the Company.

"Business Day" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"Closing" means the closing of the purchase and sale of the Securities pursuant to Section 2.1.

"Closing Date" means the Trading Day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to (i) the Purchasers' obligations to pay the Subscription Amount and (ii) the Company's obligations to deliver the Securities, in each case, have been satisfied or waived, but in no event later than the second Trading Day following the date hereof.

"Commission" means the United States Securities and Exchange Commission.

"Common Shares" shall mean such number of shares of Common Stock issuable to the Purchaser pursuant to Section 2.1.

"Common Stock" means the common stock of the Company, par value $0.0001 per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

"Common Stock Equivalents" means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

"Disclosure Schedules" means the Disclosure Schedules of the Company delivered concurrently herewith.

"Disqualification Event" shall have the meaning ascribed to such term in Section 3.1(mm).

"DVP" shall have the meaning ascribed to such term in Section 2.1.

"Environmental Laws" shall have the meaning ascribed to such term in Section 3.1(m).

"Evaluation Date" shall have the meaning ascribed to such term in Section 3.1(s).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"FCPA" means the Foreign Corrupt Practices Act of 1977, as amended.

"Federal Reserve" shall have the meaning ascribed to such term in Section 3.1(hh).

"Filing Date" means the 45th calendar day following the final Closing Date.

"GAAP" shall have the meaning ascribed to such term in Section 3.1(h).

"Hazardous Material" shall have the meaning ascribed to such term in Section 3.1(m).

"Intellectual Property Rights" shall have the meaning ascribed to such term in Section 3.1(p).

"Legend Removal Date" shall have the meaning ascribed to such term in Section 4.1(c).

"Liens" means a lien, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

"Material Adverse Effect" shall have the meaning assigned to such term in Section 3.1(b).

"Material Permits" shall have the meaning ascribed to such term in Section 3.1(n).

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Purchaser Party" shall have the meaning ascribed to such term in Section 4.10.

"Registration Statement" means a registration statement covering the resale of the Common Shares and the Warrant Shares, by each Purchaser.

"Required Approvals" shall have the meaning ascribed to such term in Section 3.1(e).

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such rule.

"Securities" means the the Common Shares, the Warrants and the Warrant Shares, as applicable.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Short Sales" means all "short sales" as defined in Rule 200 of Regulation SHO under the Exchange Act (but shall not be deemed to include locating and/or borrowing shares of Common Stock).

"Standard Settlement Period" shall have the meaning ascribed to such term in Section 4.1(c).

"Subscription Amount" shall mean, as to each Purchaser, the aggregate amount to be paid for the Securities purchased hereunder as specified below such Purchaser's name on the signature page of this Agreement and next to the heading "Subscription Amount," in United States dollars and in immediately available funds.

"Subsidiary" means (i) LabStyle Innovation Ltd., an Israeli company and (ii) LabStyle Innovations US LLC, a Delaware limited liability company, and "Subsidiaries" means each Subsidiary collectively.

"Trading Day" means a day on which the principal Trading Market is open for trading.

"Trading Market" means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange or the OTC Bulletin Board or OTCQB Marketplace operated by OTC Markets Group, Inc. (or any successors to any of the foregoing).

"Transaction Documents" means this Agreement, the Warrants, all exhibits and schedules thereto and hereto and any other documents or agreements executed in connection with the transactions contemplated hereunder.

"Transfer Agent" means VStock Transfer, LLC, the current transfer agent of the Company, with an address at 18 Lafayette Place, Woodmere, NY 11598, and any successor transfer agent of the Company.

"Warrants" means the Warrant in the form of Exhibit B attached hereto, to purchase shares of Common Stock at an exercise price of $1.80 per share, exercisable between six months and eighteen months from the date of issuance.

"Warrant Shares" means the shares of Common Stock issuable upon exercise of the Warrants.

ARTICLE II.
PURCHASE AND SALE

2.1 Closing. On the Closing Date, upon the terms and subject to the conditions set forth herein, substantially concurrent with the execution and delivery of this Agreement by the parties hereto, the Company agrees to sell, and the Purchasers, severally and not jointly, agree to purchase, an aggregate of up to $2,000,000 of Common Shares, and accompanying Warrant, with an aggregate value for each Purchaser equal to such Purchaser's Subscription Amount as set forth on the signature page hereto executed by such Purchaser. Prior to Closing, each Purchaser shall deliver to the Company, via wire transfer of immediately available funds, pursuant to the wire transfer instructions set forth as Exhibit C, cash equal to its Subscription Amount, and as of the Closing (i) the Company shall deliver to each Purchaser the Common Shares and the Warrants, and (ii) the Company and each Purchaser shall deliver the other items set forth in Section 2.2 deliverable at the Closing, provided that it shall not be a condition for the Closing as to any Purchaser that any other Purchaser shall have delivered the items set forth in Section 2.2 to be delivered by such other Purchaser. Upon satisfaction of the covenants and conditions set forth in Sections 2.2 and 2.3, the Closing shall occur at the offices of legal counsel to the Company or such other location as the parties shall mutually agree (and such Closing may be undertaken remotely by electronic exchange of documentation).

2.2 Deliveries.

(a) On or prior to the Closing Date, the Company shall deliver or cause to be delivered to each Purchaser the following:

(i) this Agreement duly executed by the Company;

(ii) within three (3) Business Days of the Closing Date, a stock certificate evidencing that number of Common Shares equal to the Purchaser's Subscription Amount divided by $1.40 per share, registered in the name of such Purchaser (it being agreed, however, that each Purchaser shall, upon consummation of each Closing, be the record holder of such Common Shares) or alternatively, such number of Common Shares entered in book entry with the Transfer Agent; and

(iii) within three (3) Business Days of the Closing Date, the Warrants registered in the name of such Purchaser such that, in the aggregate, the number of Warrant Shares exercisable by such Purchaser will be equal to 80% of the Common Shares issued to such Purchaser (it being agreed, however, that each Purchaser shall, upon consummation of each Closing, be the record holder of such Warrants).

(b) In addition to delivering the Subscription Amount as contemplated by Section 2.1, which shall be made available for DVP settlement with the Company or its designee, on or prior to the Closing Date, each Purchaser shall deliver or cause to be delivered to the Company the following:

(i) this Agreement duly executed by such Purchaser;

(ii) if you are an individual, provide a copy of your photo identification (e.g., Driver's License or Passport);

(iii) if you are an Accredited Investor (as defined herein), an executed copy of the Accredited Investor Questionnaire set forth on Exhibit D-1; and

(iv) any other subscription documents requested by the Company, duly executed by such Purchaser.

2.3 Closing Conditions.

(a) The obligations of the Company hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects (or, to the extent representations or warranties are qualified by materiality or Material Adverse Effect, in all respects) on the Closing Date of the representations and warranties of the Purchasers contained herein (unless as of a specific date therein in which case they shall be true and correct as of such date);

(ii) all obligations, covenants and agreements of each Purchaser required to be performed at or prior to the Closing Date shall have been performed; and

(iii) the delivery by each Purchaser of the items set forth in Section 2.2(b) of this Agreement.

(b) The respective obligations of the Purchasers hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects (or, to the extent representations or warranties are qualified by materiality or Material Adverse Effect, in all respects) when made and on the Closing Date of the representations and warranties of the Company contained herein (unless as of a specific date therein, which shall be true and correct as of such specified date);

(ii) all obligations, covenants and agreements of the Company required to be performed at or prior to the Closing Date shall have been performed;

(iii) the Company shall have received all governmental, regulatory or third party consents and approvals, if any, necessary for the sale of the Securities;

(iv) there shall have been no Material Adverse Effect with respect to the Company since the date hereof;

(v) [Reserved];

(vi) from the date hereof to the Closing Date, trading in the Common Stock shall not have been suspended by the Commission or the Company's principal Trading Market, and, at any time prior to the Closing Date, trading in securities generally as reported by Bloomberg L.P. shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by such service, or on any Trading Market, nor shall a banking moratorium have been declared either by the United States or New York State authorities nor shall there have occurred any material outbreak or escalation of hostilities or other national or international calamity of such magnitude in its effect on, or any material adverse change in, any financial market which, in each case, in the reasonable judgment of such Purchaser, makes it impracticable or inadvisable to purchase the Securities at the Closing; and

(vii) the delivery by the Company of the items set forth in Section 2.2(a) of this Agreement.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company. Except as set forth in the Disclosure Schedules, which Disclosure Schedules shall be deemed a part hereof and shall qualify any representation or otherwise made herein to the extent of the disclosure contained in the corresponding section of the Disclosure Schedules, the Company hereby makes the following representations and warranties (which shall be true and correct as of the date hereof and as of the Closing Date) to each Purchaser:

(a) Subsidiaries. The Subsidiaries are the only direct or indirect subsidiaries of the Company. The Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any Liens, and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities.

(b) Organization and Qualification. The Company and each of the Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation nor default of any of the provisions of its respective certificate or articles of incorporation, bylaws or other organizational or charter documents. Each of the Company and the Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not have or reasonably be expected to result in: (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole, or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a "Material Adverse Effect") and no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(c) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents and otherwise to carry out its obligations hereunder and thereunder and to issue the Securities in accordance with the term hereof and thereof. The execution and delivery of this Agreement and each of the other Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's stockholders in connection herewith or therewith, other than in connection with the Required Approvals. This Agreement and each other Transaction Document to which it is a party has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(d) No Conflicts. The execution, delivery and performance by the Company of this Agreement and the other Transaction Documents to which it is a party, the issuance and sale of the Securities and the consummation by it of the transactions contemplated hereby and thereby do not and will not: (i) conflict with or violate any provision of the Company's or any Subsidiary's certificate or articles of incorporation, bylaws or other organizational or charter documents, (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, anti-dilution or similar adjustments, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected, or (iii) subject to the Required Approvals, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of clause (ii) and (iii), such as could not have or reasonably be expected to result in a Material Adverse Effect.

(e) Filings, Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than: (i) the filings required pursuant to Section 4.6 of this Agreement, (ii) the notice and/or application(s) to each applicable Trading Market for the issuance and sale of the Securities and the listing of the Common Shares and Warrant Shares for trading thereon in the time and manner required thereby, and (iii) the filing of Form D with the Commission and such filings as are required to be made under applicable state securities laws (collectively, the "Required Approvals").

(f) Issuance of the Securities; Registration. The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents, the Warrant Shares, when paid for and issued in accordance with the terms of the Warrants, will be validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents, and the Company has reserved from its duly authorized capital stock a number of shares of Common Stock for issuance of the Warrant Shares.

(g) Capitalization. As of the date hereof the authorized capital stock of the Company consists of (i) 160,000,000 shares of Common Stock, of which, 14,185,645 are issued and outstanding, and 6,028,797 shares are reserved for issuance pursuant to securities exercisable or exchangeable for, or convertible into, shares of Common Stock (other than the Warrants) and (ii) 5,000,000 shares of preferred stock, of which up to 2,200,000 shall be designated as Series C Convertible Preferred Stock prior to Closing, and no shares of preferred stock are outstanding immediately prior to closing. No shares of Common Stock are held in treasury. All of such outstanding shares are duly authorized and have been, or upon issuance will be, validly issued and are fully paid and nonassessable. As a result of the purchase and sale of the Securities, there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire any shares of Common Stock or the capital stock of any Subsidiary, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional shares of Common Stock or Common Stock Equivalents or capital stock of any Subsidiary. The issuance and sale of the Securities will not obligate the Company or any Subsidiary to issue shares of Common Stock or other securities to any Person (other than the Purchasers) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange or reset price under any of such securities. There are no outstanding securities or instruments of the Company or any Subsidiary that contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to redeem a security of the Company or such Subsidiary. The Company does not have any stock appreciation rights or "phantom stock" plans or agreements or any similar plan or agreement. All of the outstanding shares of capital stock of the Company are duly authorized, validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities, except where the failure to be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No further approval or authorization of any stockholder, the Board of Directors or others is required for the issuance and sale of the Securities. There are no stockholders agreements, voting agreements or other similar agreements with respect to the Company's capital stock to which the Company is a party or, to the knowledge of the Company, between or among any of the Company's stockholders. The Series C Convertible Preferred Stock will have no voting rights and with respect to all other rights shall be ranked *pari passu* with the Common Stock.

(h) SEC Reports; Financial Statements. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "SEC Reports") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Company has never been an issuer subject to Rule 144(i) under the Securities Act. The financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") applied on a consistent basis during the periods involved, except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

(i) Material Changes; Undisclosed Events, Liabilities or Developments. Since the date of the latest audited financial statements included within the SEC Reports, except as specifically disclosed in a subsequent SEC Report filed prior to the date hereof: (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements pursuant to GAAP or disclosed in filings made with the Commission, (iii) the Company has not altered its method of accounting, (iv) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock and (v) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company stock option or incentive plans. The Company does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the Securities contemplated by this Agreement, no event, liability, fact, circumstance, occurrence or development has occurred or exists or is reasonably expected to occur or exist with respect to the Company or its Subsidiaries or their respective businesses, properties, operations, assets or financial condition, that would be required to be disclosed by the Company under applicable securities laws at the time this representation is made or deemed made.

(j) Litigation. There is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an "Action") which (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Securities or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any Subsidiary, nor, to the Company's knowledge, any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the Commission involving the Company or any current or former director or officer of the Company. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company or any Subsidiary under the Exchange Act or the Securities Act.

(k) Labor Relations. No labor dispute exists or, to the knowledge of the Company, is imminent with respect to any of the employees of the Company, which could reasonably be expected to result in a Material Adverse Effect. None of the Company's or its Subsidiaries' employees is a member of a union that relates to such employee's relationship with the Company or such Subsidiary, and neither the Company nor any of its Subsidiaries is a party to a collective bargaining agreement, and the Company and its Subsidiaries believe that their relationships with their employees are good. To the knowledge of the Company, no executive officer of the Company or any Subsidiary, is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant in favor of any third party, and the continued employment of each such executive officer does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all U.S. federal, state, local and foreign laws and regulations relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(l) Compliance. Neither the Company nor any Subsidiary: (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any judgment, decree or order of any court, arbitrator or other governmental authority or (iii) is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety (including Health Insurance Portability and Accountability Act of 1996, as applicable to the Company), product quality and safety and employment and labor matters, except in each case as could not have or reasonably be expected to result in a Material Adverse Effect.

(m) Environmental Laws. The Company and its Subsidiaries (i) are in compliance with all federal, state, local and foreign laws relating to pollution or protection of human health or the environment (including ambient air, surface water, groundwater, land surface or subsurface strata), including laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, "Hazardous Materials") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands, or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations, issued, entered, promulgated or approved thereunder ("Environmental Laws"); (ii) have received all permits licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses; and (iii) are in compliance with all terms and conditions of any such permit, license or approval where in each clause (i), (ii) and (iii), the failure to so comply could be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

(n) Regulatory Permits. The Company and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits could not reasonably be expected to result in a Material Adverse Effect ("Material Permits"), and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit.

(o) Title to Assets. The Company and the Subsidiaries have good and marketable title in fee simple to all real property owned by them and good and marketable title in all personal property owned by them that is material to the business of the Company and the Subsidiaries, in each case free and clear of all Liens, except for (i) Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries and (ii) Liens for the payment of federal, state or other taxes, for which appropriate reserves have been made therefor in accordance with GAAP and, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Company and the Subsidiaries are in compliance in all material respects.

(p) Intellectual Property. The Company and the Subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, inventions, copyrights, licenses and other intellectual property rights and similar rights as described in the SEC Reports as necessary or required for use in connection with their respective businesses and which the failure to so could have a Material Adverse Effect (collectively, the "Intellectual Property Rights"). Except as set forth on Schedule 3.1(p) of the Disclosure Schedule, none of, and neither the Company nor any Subsidiary has received a notice (written or otherwise) that any of, the Intellectual Property Rights has expired, terminated or been abandoned, or is expected to expire or terminate or be abandoned, within two (2) years from the date of this Agreement. Neither the Company nor any Subsidiary has received, since the date of the latest audited financial statements included within the SEC Reports, a written notice of a claim or otherwise has any knowledge that the Intellectual Property Rights violate or infringe upon the rights of any Person, except as could not have or reasonably be expected to have a Material Adverse Effect. To the knowledge of the Company, all such Intellectual Property Rights are enforceable. With the possible exception of one third-party company that is selling a product that may infringe the Company's patent rights, to the knowledge of the Company, there is no existing infringement by another Person of any of the Intellectual Property Rights. The Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their intellectual properties. The Company, and to the Company's knowledge its patent counsel, have complied with the duty of candor and good faith in dealing with the U.S. Patent and Trademark Office and any similar duties in dealing with similar foreign intellectual property office. There are no material defects in the preparation and filing of any of the Company's patents and patent applications. The Company is not obligated to pay a royalty, grant a license, or provide other consideration to any third party in connection with the Intellectual Property Rights. The Company has not infringed (or would infringe) or otherwise violated (or would violate) any intellectual property rights of any third party by conducting its business in the manner in which it is contemplated as set forth in the SEC Reports.

(q) Insurance. The Company and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which the Company and the Subsidiaries are engaged, including, but not limited to, directors and officers insurance coverage at least equal to the aggregate Subscription Amount. Neither the Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

(r) Transactions With Affiliates and Employees. Except as set forth in the SEC Reports, none of the officers or directors of the Company or any Subsidiary and, to the knowledge of the Company, none of the employees of the Company or any Subsidiary is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, providing for the borrowing of money from or lending of money to or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee, stockholder, member or partner, in each case in excess of $120,000 other than for: (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) other employee benefits, including stock option agreements under any stock option plan of the Company.

(s) Sarbanes-Oxley; Internal Accounting Controls. The Company and the Subsidiaries are in compliance with any and all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof, and any and all applicable rules and regulations promulgated by the Commission thereunder that are effective as of the date hereof and as of the Closing Date. The Company and the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company and the Subsidiaries have established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and the Subsidiaries and designed such disclosure controls and procedures to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. The Company's certifying officers have evaluated the effectiveness of the disclosure controls and procedures of the Company and the Subsidiaries as of the end of the period covered by the most recently filed periodic report under the Exchange Act (such date, the "Evaluation Date"). The Company presented in its most recently filed periodic report under the Exchange Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no changes in the internal control over financial reporting (as such term is defined in the Exchange Act) of the Company and its Subsidiaries that have materially affected, or is reasonably likely to materially affect, the internal control over financial reporting of the Company and its Subsidiaries.

(t) Certain Fees. Except as disclosed in writing to a Purchaser prior to the Closing, no brokerage or finder's fees or commissions are or will be payable by the Company or any Subsidiary to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. The Purchasers shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by the Transaction Documents.

(u) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Securities, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become an "investment company" subject to registration under the Investment Company Act of 1940, as amended.

(v) Registration Rights. Except as disclosed in the SEC Reports, no Person has any right to cause the Company to effect the registration under the Securities Act of any securities of the Company or any Subsidiary.

(w) Listing and Maintenance Requirements. The Common Stock is registered pursuant to Section 12(b) or 12(g) of the Exchange Act, and the Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act nor has the Company received any notification that the Commission is contemplating terminating such registration. The Company has not, in the twelve (12) months preceding the date hereof, received written notice from any Trading Market on which the Common Stock is or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Trading Market. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements. The Common Stock is currently eligible for electronic transfer through the Depository Trust Company or another established clearing corporation and the Company is current in payment of the fees to the Depository Trust Company (or such other established clearing corporation) in connection with such electronic transfer.

(x) Disclosure. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company confirms that neither it nor any other Person acting on its behalf has provided any of the Purchasers or their agents or counsel with any information that it believes constitutes or might constitute material, non-public information which is not otherwise disclosed in the SEC Reports. The Company understands and confirms that the Purchasers will rely on the foregoing representation in effecting transactions in securities of the Company. All of the disclosure furnished by or on behalf of the Company to the Purchasers regarding the Company and its Subsidiaries, their respective businesses and the transactions contemplated hereby, including the Disclosure Schedules to this Agreement, is true correct and and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The press releases disseminated by the Company during the twelve (12) months preceding the date of this Agreement taken as a whole do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made and when made, not misleading. The Company acknowledges and agrees that no Purchaser makes or has made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 3.2 hereof.

(y) No Integrated Offering. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, neither the Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Securities to be integrated with prior offerings by the Company for purposes of (i) the Securities Act which would require the registration of any such securities under the Securities Act , or (ii) any applicable shareholder approval provisions of any Trading Market on which any of the securities of the Company are listed or designated.

(z) Tax Status. Except for matters that would not, individually, or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, the Company and its Subsidiaries each (i) has made or filed all United States federal, state and local income and all foreign income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations and (iii) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company or of any Subsidiary know of no basis for any such claim.

(aa) No General Solicitation. Neither the Company nor any person acting on behalf of the Company has offered or sold any of the Securities by any form of general solicitation or general advertising. The Company has offered the Securities for sale only to the Purchasers and certain other (i) "accredited investors" within the meaning of Rule 501 under the Securities Act, and (an "Accredited Investor") and (ii) "non-US persons" as defined in Regulation S as promulgated under the Securities Act.

(bb) Foreign Corrupt Practices. Neither the Company nor any Subsidiary, nor to the knowledge of the Company or any Subsidiary, any director, officer, employee, agent or other person acting on behalf of the Company or any Subsidiary, has: (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company or any Subsidiary (or made by any person acting on its behalf of which the Company is aware) which is in violation of law or (iv) violated in any material respect any provision of FCPA.

(cc) Acknowledgment Regarding Purchasers' Purchase of Securities. The Company acknowledges and agrees that each of the Purchasers is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated thereby. The Company further acknowledges that no Purchaser is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby and any advice given by any Purchaser or any of their respective representatives or agents in connection with the Transaction Documents and the transactions contemplated thereby is merely incidental to the Purchasers' purchase of the Securities. The Company further represents to each Purchaser that the Company's decision to enter into this Agreement and the other Transaction Documents has been based solely on the independent evaluation of the transactions contemplated hereby by the Company and its representatives.

(dd) Acknowledgement Regarding Purchaser's Trading Activity. Anything in this Agreement or elsewhere herein to the contrary notwithstanding (except for Sections 3.2(e) and 4.5 hereof), it is understood and acknowledged by the Company that: (i) none of the Purchasers has been asked by the Company to agree, nor has any Purchaser agreed, to desist from purchasing or selling, long and/or short, securities of the Company, or "derivative" securities based on securities issued by the Company or to hold the Securities for any specified term; (ii) past or future open market or other transactions by any Purchaser, specifically including, without limitation, Short Sales or "derivative" transactions, before or after the closing of this or future private placement transactions, may negatively impact the market price of the Company's publicly-traded securities; (iii) any Purchaser, and counter-parties in "derivative" transactions to which any such Purchaser is a party, directly or indirectly, presently may have a "short" position in the Common Stock, and (iv) each Purchaser shall not be deemed to have any affiliation with or control over any arm's length counter-party in any "derivative" transaction. The Company further understands and acknowledges that (y) one or more Purchasers may engage in hedging activities at various times during the period that the Securities and (z) such hedging activities (if any) could reduce the value of the existing stockholders' equity interests in the Company at and after the time that the hedging activities are being conducted. The Company acknowledges that such aforementioned hedging activities do not constitute a breach of any of the Transaction Documents.

(ee) Regulation M Compliance. The Company has not, and to its knowledge no one acting on its behalf has: (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company, other than, in the case of clauses (ii) and (iii), compensation paid to the Company's placement agent or finders in connection with the placement of the Securities.

(ff) Office of Foreign Assets Control. Neither the Company nor any Subsidiary nor, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company or any Subsidiary is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC").

(gg) U.S. Real Property Holding Corporation. The Company is not and has never been a U.S. real property holding corporation within the meaning of Section 897 of the Internal Revenue Code of 1986, as amended, and the Company shall so certify upon Purchaser's request.

(hh) Bank Holding Company Act. Neither the Company nor any of its Subsidiaries or Affiliates is subject to the Bank Holding Company Act of 1956, as amended (the "BHCA") and to regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). Neither the Company nor any of its Subsidiaries or Affiliates owns or controls, directly or indirectly, five percent (5%) or more of the outstanding shares of any class of voting securities or twenty-five percent (25%) or more of the total equity of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve. Neither the Company nor any of its Subsidiaries or Affiliates exercises a controlling influence over the management or policies of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve.

(ii) Money Laundering. The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the "Money Laundering Laws"), and no Action or Proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company and any Subsidiary with respect to the Money Laundering Laws is pending or, to the knowledge of the Company or any Subsidiary, threatened.

(jj) Application of Takeover Protections; Rights Agreement. The Company and its Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, interested stockholder, business combination, poison pill (including, without limitation, any distribution under a rights agreement) or other similar anti-takeover provision under the Certificate of Incorporation, Bylaws or other organizational documents or the laws of the jurisdiction of its formation which is or could become applicable to any Purchaser as a result of the transactions contemplated by this Agreement, including, without limitation, the Company's issuance of the Securities and any Purchaser's ownership of the Securities. The Company and its Board of Directors have taken all necessary action, if any, in order to render inapplicable any stockholder rights plan or similar arrangement relating to accumulations of beneficial ownership of shares of Common Stock or a change in control of the Company or any of its Subsidiaries.

(kk) Off Balance Sheet Arrangements. There is no transaction, arrangement, or other relationship between the Company or any of its Subsidiaries and an unconsolidated or other off balance sheet entity that is required to be disclosed by the Company in its Exchange Act filings and is not so disclosed or that otherwise could be reasonably likely to have a Material Adverse Effect.

(ll) Private Placement. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Securities by the Company to the Purchasers as contemplated hereby.

(mm) No Disqualification Events. With respect to the Securities to be offered and sold hereunder in reliance on Rule 506 under the Securities Act, none of the Company, any of its predecessors, any affiliated issuer, any director, executive officer, other officer of the Company participating in the offering hereunder, any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power, nor any promoter (as that term is defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of sale (each, an "Issuer Covered Person") is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a "Disqualification Event"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3). The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event. The Company has complied, to the extent applicable, with its disclosure obligations under Rule 506(e), and has furnished to the Purchasers a copy of any disclosures provided thereunder.

(nn) [RESERVED]

(oo) Notice of Disqualification Events. The Company will notify the Purchasers in writing, prior to the Closing Date of (i) any Disqualification Event relating to any Issuer Covered Person and (ii) any event that would, with the passage of time, reasonably be expected to become a Disqualification Event relating to any Issuer Covered Person, in each case of which it is aware.

(pp) Solvency. Based on the consolidated financial condition of the Company as of the Closing Date, after giving effect to the receipt by the Company of the proceeds from the sale of the Securities hereunder, (i) the fair saleable value of the Company's assets exceeds the amount that will be required to be paid on or in respect of the Company's existing debts and other liabilities (including known contingent liabilities) as they mature, (ii) the Company's assets do not constitute unreasonably small capital to carry on its business as now conducted and as proposed to be conducted including its capital needs taking into account the particular capital requirements of the business conducted by the Company, consolidated and projected capital requirements and capital availability thereof, and (iii) the current cash flow of the Company, together with the proceeds the Company would receive, were it to liquidate all of its assets, after taking into account all anticipated uses of the cash, would be sufficient to pay all amounts on or in respect of its liabilities when such amounts are required to be paid. The Company does not intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be payable on or in respect of its debt). After giving effect to the receipt by the Company of the proceeds from the sale of the Securities hereunder, the Company has no knowledge of any facts or circumstances which lead it to believe that it will file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within one year from the Closing Date.

(qq) Accountants. Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, which has delivered its report with respect to the audited financial statements and schedules included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 is, to the Company's knowledge, an independent registered public accounting firm with respect to the Company as required by the Securities Act and the Exchange Act.

(rr) Regulation of Medical Devices. Company and each Subsidiary (i) possesses all certificates, authorizations, approvals, clearances, licenses, registrations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct its business as presently conducted ("Medical Device Permits"), including, without limitation, all Medical Device Permits required by the United States Food and Drug Administration or any other federal, state or foreign agencies or bodies engaged in the regulation of Medical Devices (a "Regulatory Agency"), (ii) is in compliance with all Medical Device Permits and all Applicable Laws and Requirements (defined below) pertaining to its business as presently conducted, except where such non-compliance is not reasonably expected to result in a Material Adverse Effect, and (iii) has not received any notice of proceedings relating to the revocation or modification of any such Medical Device Permit, except for any revocation or modification that is not reasonably expected to result in a Material Adverse Effect. There is no pending, completed or, to the Company's knowledge, threatened, action (including any lawsuit, arbitration, or legal or administrative or regulatory proceeding, charge, complaint, or investigation) against the Company or any of its Subsidiaries, and none of the Company or any of its Subsidiaries has received any notice, warning letter or other communication from any Regulatory Agency which (i) contests the premarket clearance, licensure, registration, or approval of, the uses of, the distribution of, the manufacturing or packaging of, the testing of, the storage of, the sale of, or the labeling and promotion of any Medical Device, (ii) withdraws its approval of, requests the recall, suspension, or seizure of, or withdraws or orders the withdrawal of advertising or sales promotional materials relating to, any Medical Device, (iii) imposes a clinical hold on any clinical investigation by the Company or any of its Subsidiaries, (iv) enjoins production or manufacturing at any facility of the Company or any of its Subsidiaries or any facility at which a product of the Company or a component of any such product is produced or manufactured, (v) enters or proposes to enter into a consent decree of permanent injunction with the Company or any of its Subsidiaries, or (vi) otherwise alleges any violation of any Applicable Laws and Rules (as defined below) by the Company or any of its Subsidiaries, and which, either individually or in the aggregate, would have a Material Adverse Effect. Neither the Company not any Subsidiary has been informed by any Regulatory Agency that such Regulatory Agency will prohibit the marketing, sale, license or use in any jurisdiction of any product proposed to be developed, produced or marketed by the Company and its Subsidiaries nor has any Regulatory Agency expressed to the Company or any Subsidiary any concern as to approving or clearing for marketing any product being developed or proposed to be developed by the Company and its Subsidiaries, and the Company and its Subsidiaries have not received any information from any Regulatory Agency which would reasonably be expected to lead to such actions.

(ss) Clinical Trials. The clinical, pre-clinical and other studies and tests conducted by or on behalf of or sponsored by the Company or its Subsidiaries were and, if still pending, are being conducted in compliance with all applicable statutes, laws, rules, regulations, policies, guidelines and protocols, as applicable (including, without limitation, those administered or issued by any applicable Regulatory Agency, including the relevant guidelines of the Israeli Ministry of Health) (collectively, "Applicable Laws and Rules"), except for any non-compliance that is not reasonably expected to result in a Material Adverse Effect. Neither the Company nor its Subsidiaries has received any written notices from any Regulatory Agency with respect to any ongoing clinical or pre-clinical studies or tests requiring the termination, suspension or modification of such studies or tests, except for any termination, suspension or modification that is not reasonably expected to result in a Material Adverse Effect.

3.2 Representations and Warranties of the Purchasers. Each Purchaser, for itself and for no other Purchaser, hereby represents and warrants as of the date hereof and as of the Closing Date to the Company as follows (unless as of a specific date therein, in which case they shall be accurate as of such date):

(a) Organization; Authority. Such Purchaser is either an individual or an entity duly incorporated or formed, validly existing and (where such concept is applicable) in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Documents and performance by such Purchaser of the transactions contemplated by the Transaction Documents have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of such Purchaser. Each Transaction Document to which it is a party has been duly executed by such Purchaser, and when delivered by such Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of such Purchaser, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Understandings or Arrangements. Such Purchaser is acquiring the Securities as principal for its own account and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities (this representation and warranty not limiting such Purchaser's right to sell the Securities pursuant to the Registration Statement or otherwise in compliance with applicable federal and state securities laws). Such Purchaser is acquiring the Securities hereunder in the ordinary course of its business. Such Purchaser understands that the Securities are "restricted securities" and have not been registered under the Securities Act or any applicable state securities law and is acquiring the Securities as principal for its own account and not with a view to or for distributing or reselling such Securities or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Securities in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities in violation of the Securities Act or any applicable state securities law (this representation and warranty not limiting such Purchaser's right to sell the Securities pursuant to a registration statement or otherwise in compliance with applicable federal and state securities laws).

(c) Purchaser Status. At the time such Purchaser was offered the Securities, it was, and as of the date hereof it is, and on each date on which it exercises any Warrants, it will be a "non-US person" as defined in Regulation S ("Regulation S") as promulgated under the Securities Act and/or an "accredited investor" as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act.

(d) Experience of Such Purchaser. Such Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment. Such Purchaser is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment. Such Purchaser acknowledges that as of the date hereof, the Company has very limited financial resources, and thus an investment in the Securities is subject to significant risk.

(e) Access to Information. Such Purchaser acknowledges that it has had the opportunity to review the Transaction Documents (including all exhibits and schedules thereto) and the SEC Reports and has been afforded (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the offering of the Securities and the merits and risks of investing in the Securities; (ii) access to information about the Company and its financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; and (iii) the opportunity to obtain such additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment.

(f) Certain Transactions and Confidentiality. Other than consummating the transactions contemplated hereunder, such Purchaser has not, nor has any Person acting on behalf of or pursuant to any understanding with such Purchaser, directly or indirectly, executed any purchases or sales, including Short Sales, of the securities of the Company during the period commencing as of the time that such Purchaser first received a term sheet (written or oral) from the Company or any other Person representing the Company setting forth the material terms of the transactions contemplated hereunder and ending immediately prior to the execution hereof. Notwithstanding the foregoing, in the case of a Purchaser that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Purchaser's assets, the representation set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement. Other than to other Persons party to this Agreement or to such Purchaser's representatives, including, without limitation, its officers, directors, partners, legal counsel and other advisors, employees, agents and Affiliates, such Purchaser has maintained the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction). Notwithstanding the foregoing, for the avoidance of doubt, nothing contained herein shall constitute a representation or warranty, or preclude any actions, with respect to locating or borrowing shares in order to effect Short Sales or similar transactions in the future.

(g) General Solicitation. Such Purchaser is not purchasing the Securities as a result of any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar, or, to the knowledge of such Purchaser, any other general solicitation or general advertisement.

(h) Other Company Holdings. As of the Closing Date, and prior to the consummation of the transactions contemplated by this Agreement, such Purchaser is not, collectively with its Affiliates or any Person with whom such Purchaser is acting in concert, a holder of Common Stock or Common Stock Equivalents in an amount equal to more than 9.99% of the outstanding shares of Common Stock (assuming full exercise or conversion of any such Common Stock Equivalents).

(i) Additional Representations and Warranties of Accredited Investors. Each Purchaser indicating that such Purchaser is an Accredited Investor on its signature page to this Agreement, severally and not jointly, shall complete the Accredited Investor Questionnaire set forth on Exhibit D-1.

(j) Additional Representations and Warranties of Non-U.S. Persons. Each Purchaser indicating that it is not a U.S. person on its signature page to this Agreement, severally and not jointly, further makes the representations and warranties to the Company set forth on Exhibit D-2.

The Company acknowledges and agrees that the representations contained in this Section 3.2 shall not modify, amend or affect such Purchaser's right to rely on the Company's representations and warranties contained in this Agreement or any representations and warranties contained in any other Transaction Document or any other document or instrument executed and/or delivered in connection with this Agreement or the consummation of the transactions contemplated hereby. Notwithstanding the foregoing, for the avoidance of doubt, nothing contained herein shall constitute a representation or warranty, or preclude any actions, with respect to locating or borrowing shares in order to effect Short Sales or similar transactions in the future.

ARTICLE IV.
OTHER AGREEMENTS OF THE PARTIES

4.1 Removal of Legends.

(a) The Securities may only be disposed of in compliance with U.S. state and U.S. federal securities laws. In connection with any transfer of Securities other than pursuant to an effective Registration Statement or Rule 144, to the Company or to an Affiliate of a Purchaser or in connection with a pledge as contemplated in Section 4.1(b), the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights and obligations of a Purchaser under this Agreement.

(b) The Purchasers agree to the imprinting, so long as required by this Section 4.1, of a legend on the Securities substantially in the following form (in addition to any legend required by applicable state securities or "blue sky" laws):

"[NEITHER] THIS SECURITY [NOR THE SECURITIES INTO WHICH THIS SECURITY IS CONVERTIBLE] HAS [NOT] BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR THE COMPANY SHALL HAVE RECEIVED AN OPINION OF COUNSEL THAT REGISTRATION OF SUCH SECURITIES [AND THE SECURITIES ISSUABLE UPON [CONVERSION] OF THIS SECURITY] UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED."

Each certificate representing the Securities, if such securities are being offered to Purchasers in reliance upon Regulation S, shall be stamped or otherwise imprinted with a legend substantially in the following form (in addition to any legend required by applicable state securities or "blue sky" laws):

"[NEITHER] THIS SECURITY [NOR THE SECURITIES INTO WHICH THIS SECURITY IS CONVERTIBLE] HAS [NOT] BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND NEITHER SUCH SECURITIES [AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS SECURITY] NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S PROMULGATED UNDER THE SECURITIES ACT, AND BASED ON AN OPINION OF COUNSEL, WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO THE COMPANY, THAT THE PROVISIONS OF REGULATION S HAVE BEEN SATISFIED, (2) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS OR (3) PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, IN WHICH CASE THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE COMPANY AN OPINION OF COUNSEL, WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH SECURITIES [OR THE SECURITIES ISSUABLE UPON CONVERSION OF THIS SECURITY] MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR OTHERWISE TRANSFERRED IN THE MANNER CONTEMPLATED PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. HEDGING TRANSACTIONS INVOLVING THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT."

The Company acknowledges and agrees that a Purchaser may from time to time pledge pursuant to a bona fide margin agreement with a registered broker-dealer or grant a security interest in some or all of the Securities to a financial institution that is an "accredited investor" as defined in Rule 501(a) under the Securities Act and, if required under the terms of such arrangement, such Purchaser may transfer pledged or secured Securities to the pledgees or secured parties. Such a pledge or transfer would not be subject to approval of the Company and no legal opinion of legal counsel of the pledgee, secured party or pledgor shall be required in connection therewith. Further, no notice shall be required of such pledge. At the appropriate Purchaser's expense, the Company will execute and deliver such reasonable documentation as a pledgee or secured party of Securities may reasonably request in connection with a pledge or transfer of the Securities.

(c) Certificates evidencing the Securities shall not contain any legend (including the legend set forth in Section 4.1(b) hereof): (i) while a registration statement covering the resale of such security is effective under the Securities Act, or (ii) following any sale of such Securities pursuant to Rule 144 or (iii) if such Securities are eligible for sale under Rule 144 or (iv) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission). The Company shall cause its counsel to issue a legal opinion to the Transfer Agent or the Purchaser promptly if required by the Transfer Agent to effect the removal of the legend hereunder, or if requested by a Purchaser, respectively. If there is an effective registration statement to cover the resale of the Securities, or if such Securities may be sold under Rule 144 or if such legend is not otherwise required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission) then such Securities shall be issued free of all legends. The Company agrees that following such time as such legend is no longer required under this Section 4.1(c), the Company will, no later than the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period (as defined below) following the delivery by a Purchaser to the Company or the Transfer Agent of a certificate representing Securities, as applicable, issued with a restrictive legend (such second (2^{nd}) Trading Day, the "Legend Removal Date"), deliver or cause to be delivered to such Purchaser a certificate representing such shares that is free from all restrictive and other legends. The Company may not make any notation on its records or give instructions to the Transfer Agent that enlarge the restrictions on transfer set forth in this Section 4. Certificates for Securities subject to legend removal hereunder shall be transmitted by the Transfer Agent to the Purchaser by crediting the account of the Purchaser's prime broker with the Depository Trust Company System as directed by such Purchaser. As used herein, "Standard Settlement Period" means the standard settlement period, expressed in a number of Trading Days, on the Company's primary Trading Market with respect to the Common Stock as in effect on the date of delivery of a certificate representing Securities issued with a restrictive legend.

(d) Each Purchaser, severally and not jointly with the other Purchasers, agrees with the Company that such Purchaser will sell any Securities pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if Securities are sold pursuant to a Registration Statement, they will be sold in compliance with the plan of distribution set forth therein, and acknowledges that the removal of the restrictive legend from certificates representing Securities as set forth in this Section 4.1 is predicated upon the Company's reliance upon this understanding.

4.2 Furnishing of Information. Until the time that no Purchaser is an "affiliate" (as defined under Rule 144) of the Company, the Company covenants to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the Exchange Act even if the Company is not then subject to the reporting requirements of the Exchange Act.

4.3 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities in a manner that would require the registration under the Securities Act of the sale of the Securities or that would be integrated with the offer or sale of the Securities for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

4.4 Use of Proceeds. The Company shall use the net proceeds from the sale of the Securities hereunder for working capital and general corporate purposes and shall not use such proceed: (a) for the satisfaction of any portion of the Company's debt (other than payment of trade payables in the ordinary course of the Company's business and prior practices), (b) for the redemption of any Common Stock or Common Stock Equivalents, (c) for the settlement of any outstanding litigation or (d) in violation of FCPA or OFAC regulations.

4.5 Certain Transactions and Confidentiality. Each Purchaser, severally and not jointly with the other Purchasers, covenants that neither it, nor any Affiliate acting on its behalf or pursuant to any understanding with it will execute any purchases or sales, including Short Sales, of any of the Company's securities during the period commencing with the execution of this Agreement and ending at such time that the transactions contemplated by this Agreement are first publicly announced. Each Purchaser, severally and not jointly with the other Purchasers, and the Company covenants that until such time as the transactions contemplated by this Agreement are publicly disclosed by the Company, it will maintain the confidentiality of the existence and terms of this transaction and the information included in the Transaction Documents.

4.6 Securities Laws Disclosure; Publicity. The Company shall file a Current Report on Form 8-K, including the Transaction Documents as exhibits thereto, with the Commission within the time required by the Exchange Act. From and after the issuance of such Current Report on Form 8-K, the Company represents to the Purchasers that it shall have publicly disclosed all material, non-public information delivered to any of the Purchasers by the Company or any of its Subsidiaries, or any of their respective officers, directors, employees or agents in connection with the transactions contemplated by the Transaction Documents. In addition, effective upon the filing of such Current Report on Form 8-K, the Company acknowledges and agrees that any and all confidentiality or similar obligations under any agreement, whether written or oral, between the Company, any of its Subsidiaries or any of their respective officers, directors, agents, employees or Affiliates on the one hand, and any of the Purchasers or any of their Affiliates on the other hand, shall terminate. The Company and each Purchaser shall consult with each other in issuing any press releases with respect to the transactions contemplated hereby, and neither the Company nor any Purchaser shall issue any such press release nor otherwise make any such public statement without the prior consent of the Company, with respect to any press release of any Purchaser, or without the prior consent of each Purchaser, with respect to any press release of the Company, which consent shall not unreasonably be withheld or delayed, except if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication. Notwithstanding the foregoing, the Company shall not publicly disclose the name of any Purchaser, or include the name of any Purchaser in any filing with the Commission or any regulatory agency or Trading Market, without the prior written consent of such Purchaser, except (a) as required by federal securities law in connection with the filing of final Transaction Documents with the Commission and (b) to the extent such disclosure is required by law or Trading Market regulations, in which case the Company shall provide the Purchasers with prior notice of such disclosure permitted under this clause (b).

4.7 Shareholder Rights Plan. No claim will be made or enforced by the Company or, with the consent of the Company, any other Person, that any Purchaser is an "Acquiring Person" under any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or similar anti-takeover plan or arrangement in effect or hereafter adopted by the Company, or that any Purchaser could be deemed to trigger the provisions of any such plan or arrangement, by virtue of receiving Securities under the Transaction Documents or under any other agreement between the Company and the Purchasers.

4.8 Listing of Common Stock. The Company hereby agrees to use reasonable best efforts to maintain the listing or quotation of the Common Stock on the Trading Market on which it is currently listed, and concurrently with the Closing, the Company shall apply to list or quote all of the Common Shares on such Trading Market and promptly secure the listing of all of the Common Shares on such Trading Market. The Company further agrees, if the Company applies to have the Common Stock traded on any other Trading Market, it will then include in such application all of the Common Shares and will take such other action as is necessary to cause all of the Common Shares to be listed or quoted on such other Trading Market as promptly as possible. The Company will then take all action reasonably necessary to continue the listing and trading of its Common Stock on a Trading Market and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Trading Market. The Company agrees to maintain the eligibility of the Common Stock for electronic transfer through the Depository Trust Company or another established clearing corporation, including, without limitation, by timely payment of fees to the Depository Trust Company or such other established clearing corporation in connection with such electronic transfer.

4.9 Non-Public Information. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, which shall be disclosed pursuant to Section 4.6, the Company covenants and agrees that neither it, nor any other Person acting on its behalf will provide any Purchaser or its agents or counsel with any information that constitutes, or the Company reasonably believes constitutes, material non-public information, unless prior thereto such Purchaser shall have consented to the receipt of such information and agreed with the Company to keep such information confidential. The Company understands and confirms that each Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company. To the extent that the Company delivers any material, non-public information to a Purchaser without such Purchaser's consent, the Company hereby covenants and agrees that such Purchaser shall not have any duty of confidentiality to the Company, any of its Subsidiaries, or any of their respective officers, directors, agents, employees or Affiliates, or a duty to the Company, any of its Subsidiaries or any of their respective officers, directors, agents, employees or Affiliates not to trade on the basis of, such material, non-public information, provided that the Purchaser shall remain subject to applicable law. To the extent that any notice provided pursuant to any Transaction Document constitutes, or contains, material, non-public information regarding the Company or any Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Company understands and confirms that each Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company.

4.10 Indemnification by Company. Subject to the provisions of this Section 4.10, the Company will indemnify and hold each Purchaser and its directors, officers, shareholders, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls such Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, agents, members, partners or employees (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a "Purchaser Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Purchaser Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the other Transaction Documents or (b) any action instituted against the Purchaser Parties in any capacity, or any of them or their respective Affiliates, by any stockholder of the Company who is not an Affiliate of such Purchaser Party, with respect to any of the transactions contemplated by the Transaction Documents (unless such action is solely based upon a material breach of such Purchaser Party's representations, warranties or covenants under the Transaction Documents or any agreements or understandings such Purchaser Party may have with any such stockholder or any violations by such Purchaser Party of state or federal securities laws or any conduct by such Purchaser Party which is finally judicially determined to constitute fraud, gross negligence, willful misconduct or malfeasance) or (c) in connection with any registration statement of the Company providing for the resale by the Purchasers of the Securities, the Company will indemnify each Purchaser Party, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, liabilities, costs (including, without limitation, reasonable attorneys' fees) and expenses, as incurred, arising out of or relating to (i) any untrue or alleged untrue statement of a material fact contained in such registration statement, any prospectus or any form of prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading, except to the extent, but only to the extent, that such untrue statements or omissions are based solely upon information regarding such Purchaser furnished in writing to the Company by such Purchaser expressly for use therein, or (ii) any violation by the Company of the Securities Act, the Exchange Act or any state securities law, or any rule or regulation thereunder in connection therewith. If any action shall be brought against any Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party. Any Purchaser Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the extent that (x) the employment thereof has been specifically authorized by the Company in writing, (y) the Company has failed after a reasonable period of time to assume such defense and to employ counsel or (z) in such action there is, in the reasonable opinion of counsel, a material conflict on any material issue between the position of the Company and the position of such Purchaser Party, in which case the Company shall be responsible for the reasonable fees and expenses of no more than one such separate counsel. The Company will not be liable to any Purchaser Party under this Agreement (1) for any settlement by a Purchaser Party effected without the Company's prior written consent, which shall not be unreasonably withheld or delayed; or (2) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Purchaser Party's breach of any of the representations, warranties, covenants or agreements made by such Purchaser Party in this Agreement or in the other Transaction Documents. The indemnification required by this Section 4.10 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or are incurred. The indemnity agreements contained herein shall be in addition to any cause of action or similar right of any Purchaser Party against the Company or others and any liabilities the Company may be subject to pursuant to law.

4.11 Reservation of Common Stock; Shareholder Approval. As of the date hereof, the Company has reserved and the Company shall continue to reserve and keep available at all times, free of preemptive rights, a sufficient number of shares of Common Stock for the purpose of enabling the Company to issue the Warrant Shares and Common Shares pursuant to this Agreement.

4.12 Form D; Blue Sky Filings. The Company agrees to timely file a Form D, if required by applicable law, with respect to the Securities as required under Regulation D and to provide a copy thereof, promptly upon request of any Purchaser. The Company shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Securities for sale to the Purchasers at the Closing under applicable securities or "Blue Sky" laws of the states of the United States and shall provide evidence of such actions promptly upon request of any Purchaser.

4.13 Registration Rights. On or prior to the Filing Date, the Company shall prepare and file with the Commission a Registration Statement for a resale offering to be made on a continuous basis. The Company shall use its commercially best efforts to cause the Registration Statement to be declared effective under the Securities Act as promptly as possible after the filing thereof (but in no event later than the 60th day following the filing of the registration statement) and shall use its commercially best efforts to keep such Registration Statement, with respect to each Purchaser, continuously effective under the Securities Act until the earlier to occur of (i) the date on which such Purchaser may sell the Securities then held in compliance with Rule 144, or (ii) all Securities covered by the Registration Statement have been sold by such Purchaser.

4.14 Provision by Purchasers of Certain Information in Connection with the Registration Statement. Each Purchaser agrees to furnish to the Company in writing (i) such information as the Company may reasonably request for use in connection with the Registration Statement within five (5) business days after receipt of a request therefor, and (ii) a completed Selling Stockholder Questionnaire in the form attached hereto as Annex A (the "Selling Stockholder Questionnaire"), concurrently with the Purchaser's subscription for the Securities. Each Purchaser as to which any Registration Statement is being effected agrees to furnish promptly to the Company all information required to be disclosed in order to make the information previously furnished to the Company by such Purchaser not materially misleading.

4.15 Equal Treatment of Purchasers. No consideration (including any modification of any Transaction Document) shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of the Transaction Documents unless the same consideration is also offered to all of the parties to the Transaction Documents. For clarification purposes, this provision constitutes a separate right granted to each Purchaser by the Company and negotiated separately by each Purchaser, and is intended for the Company to treat the Purchasers as a class and shall not in any way be construed as the Purchasers acting in concert or as a group with respect to the purchase, disposition or voting of Securities or otherwise.

4.16 Exercise Procedures. The form of Notice of Exercise included in the Warrant sets forth the totality of the procedures required of the Purchasers in order to exercise the Warrant.

4.17 Board Designee. Within two months after the Closing Date, the Company agrees that it will appoint to its Board of Directors one director designated in writing by a majority in interest (based on initial Subscription Amounts, the "Majority Purchasers") of the Purchasers (such designee and as such designee may be replaced as provided herein, the "Designee"). Subject to the paragraph below, for so long as the Purchasers retain beneficial ownership of at least five percent (5%) of the issued and outstanding shares of the Company's Common Stock (the "Appointment Period"), then the Company shall continue to recommend to its stockholders that it elect the Designee to serve as a director on the Company's Board of Directors. During the Appointment Period, the Company further agrees that it will not take action to remove, or recommend the removal of, the Designee without cause therefore. During the Appointment Period, upon any removal or resignation of the Designee, the Company shall, within five business days of the receipt of written notice from the Majority Purchasers of the identification of a replacement designee, appoint to fill the vacancy so created with such replacement designee subject to the paragraph below. The Designee, once a Director of the Company, shall be entitled to all of the rights enjoyed by other non-employee Directors of the Company, including receipt of information, reimbursement of expenses, statutory indemnification and coverage under applicable director and officer insurance policies. Further, the Majority Purchasers agree that they will not propose any individual as the Designee to be a member of the Company's Board of Directors whose background does not comply with or would disqualify the Company from complying with (i) applicable securities laws, (ii) contractual obligations to and rules of Trading Market and (iii) the criteria for directors set forth in the then current charter of the Company's Nominating Committee, and will not disqualify the Company from being able to conduct any public offering or private placement pursuant to either Rule 506 (b) or (c) and any "bad boy" provisions of any state securities laws. To the extent that any Designee who becomes a director and does not satisfy the conditions of the preceding sentence, that person will immediately resign, and, during the Appointment Period, the Majority Purchasers will have the right to propose a replacement person to fill such vacancy otherwise in accordance with the terms of this Agreement.

4.18 Purchaser Lock-up. The Purchasers will not, for a period of ninety (90) days from the Closing Date (the "Lock-Up Period"), without the prior written consent of the Company, directly or indirectly offer, sell, assign, transfer, pledge, contract to sell, or otherwise dispose of, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for shares of Common Stock during the Lock-Up Period.

ARTICLE V.
MISCELLANEOUS

5.1 Termination. This Agreement may be terminated by any Purchaser, as to such Purchaser's obligations hereunder only and without any effect whatsoever on the obligations between the Company and the other Purchasers, by written notice to the other parties, if the Closing has not been consummated on or before 5:00 p.m., New York time, on March 31, 2018, provided, however, that such termination will not affect the right of any party to sue for any breach by any other party (or parties).

5.2 Fees and Expenses. Except as expressly set forth in the Transaction Documents, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. The Company shall pay all Transfer Agent fees (including, without limitation, any fees required for same-day processing of any instruction letter delivered by the Company and any conversion or exercise notice delivered by a Purchaser), stamp taxes and other taxes and duties levied in connection with the delivery of any Securities to the Purchasers.

5.3 Entire Agreement. The Transaction Documents, together with the exhibits and schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

5.4 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number or email attachment as set forth on the signature pages attached hereto (or, with respect to an assignee or transferee of Securities as contemplated by Section 5.7, at the contact information of such Person provided to the Company in connection with such assignment or transfer) at or prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number or email attachment as set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second (2^{nd}) Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto. To the extent that any notice provided pursuant to any Transaction Document constitutes, or contains, material, non-public information regarding the Company or any Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K.

5.5 Amendments; Waivers. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company and the Purchasers which purchased more than 50.0% of the based on the initial Subscription Amounts hereunder or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought, provided that if any amendment, modification or waiver disproportionately and adversely impacts a Purchaser (or group of Purchasers), the consent of such disproportionately impacted Purchaser (or group of Purchasers) shall also be required. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right. Any proposed amendment or waiver that disproportionately, materially and adversely affects the rights and obligations of any Purchaser relative to the comparable rights and obligations of the other Purchasers shall require the prior written consent of such adversely affected Purchaser, Any amendment effected in accordance with accordance with this Section 5.5 shall be binding upon each Purchaser and holder of Securities and the Company.

5.6 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of each Purchaser (other than by merger). Any Purchaser may assign any or all of its rights under this Agreement to any Person to whom such Purchaser assigns or transfers any Securities, provided that such transferee agrees in writing, as a pre-condition to such assignment or transfer, to be bound, with respect to the transferred Securities, by the provisions of the Transaction Documents that apply to the "Purchasers."

5.8 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in Section 4.10 and this Section 5.8.

5.9 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware, without regard to the principles of conflicts of law thereof.

5.10 Arbitration of Claims. Any dispute, controversy or claim arising in relation to this this Agreement or any Transaction Document, including with regard to their validity, invalidity, breach, enforcement or termination, will be referred to a single arbitrator, who shall be appointed by the Head of the Israel Bar Association. The arbitrator will not be bound by rules of evidence or procedure and will give the reasons for his or her judgment in writing. Any such arbitration shall be conducted in Tel Aviv, Israel. The arbitrator's decision shall be final and enforceable in any court. This Section 5.10 shall constitute an arbitration agreement between the parties.

5.11 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

5.12 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.13 Rescission and Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) any of the other Transaction Documents, whenever any Purchaser exercises a right, election, demand or option under a Transaction Document and the Company does not timely perform its related obligations within the periods therein provided, then such Purchaser may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights.

5.14 Replacement of Securities. If any certificate or instrument evidencing any Securities is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction. The applicant for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs (including customary indemnity) associated with the issuance of such replacement Securities.

5.15 Independent Nature of Purchasers' Obligations and Rights. The obligations of each Purchaser under any Transaction Document are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance or non-performance of the obligations of any other Purchaser under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Purchaser pursuant hereto or thereto, shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Purchaser shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Purchaser to be joined as an additional party in any proceeding for such purpose. Each Purchaser has been represented by its own separate legal counsel in its review and negotiation of the Transaction Documents.

5.16 Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

5.17 Construction. The parties agree that each of them and/or their respective counsel have reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments thereto. In addition, each and every reference to share prices and shares of Common Stock in any Transaction Document shall be subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement.

5.18 **WAIVER OF JURY TRIAL. IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY, THE PARTIES EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVES FOREVER TRIAL BY JURY.**

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

DARIOHEALTH CORP.

By: _____
Name: Erez Raphael
Title: Chairman and CEO

Address for Notice:

9 Halamish Street
Caesarea Industrial Park
3088900, Israel
Fax Number: +(972)-(4) 770 4060

With a copy to (which shall not constitute notice):

ZAG/S&W LLP
1633 Broadway
New York, NY 10019
Fax Number: (212) 660-3001
Attention: Oded Har-Even, Esq.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGE FOR PURCHASER FOLLOWS]

PURCHASER SIGNATURE PAGES

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

Subscription Amount: $_____

U.S. Domestic Purchaser (please check): _____

Non-U.S. Purchaser (please check): _____

If Investor is an entity, sign here:

_____
(Name of entity)

By: _____

Name: _____

Title: _____

EIN/Social
Security Number: _____

If Investor is an individual, sign here:

Signature: _____

Print Name: _____

PLEASE COMPLETE FOLLOWING INFORMATION FOR NOTICES:

Email Address: _____

Facsimile Number: _____

Address for Notice to Investor:

Address for Delivery of Securities to Investor (if not same as address for notice):

Exhibit A

[Reserved]

Exhibit B

Form of Warrant

NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS CONVERTIBLE HAS BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR THE COMPANY SHALL HAVE RECEIVED AN OPINION OF COUNSEL THAT REGISTRATION OF SUCH SECURITIES AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS SECURITY UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED.

Warrant No. _____ February [___], 2018

DARIOHEALTH CORP.
Common Stock Purchase Warrant

THIS CERTIFIES THAT, for value received, [_____] (the "Holder"), is entitled to subscribe for and purchase, at the Exercise Price (as defined below), from DarioHealth Corp., a Delaware corporation (the "Company"), shares of the Company's common stock, par value $0.0001 (the "Common Stock"), at any time from August [__], 2018 and prior to 5:00 p.m., New York time, on August [__], 2020 (the "Warrant Exercise Term").

This Warrant is issued in accordance with, and subject to, the terms and conditions described in the Securities Purchase Agreement, dated February [__], 2018, between the initial Holder and the Company (the "Purchase Agreement") entered into in connection with the private placement offering of securities of the Company (the "Offering") described in the Purchase Agreement.

All capitalized terms used but not defined herein shall have the meanings ascribed to them in the Purchase Agreement.

This Warrant is subject to the following terms and conditions:

1. Shares. The Holder has, subject to the terms set forth herein, the right to purchase up to an aggregate of [ ] shares of Common Stock (the "Warrant Shares") at a per share exercise price of $1.80, subject to adjustment as provided for herein (the "Exercise Price").

2. Exercise of Warrant.

(a) Exercise. This Warrant may be exercised by the Holder at any time during the Warrant Exercise Term, in whole or in part, by delivering the notice of exercise attached as Exhibit A hereto (the "Notice of Exercise"), duly executed by the Holder to the Company at its principal office, or at such other office as the Company may designate, accompanied by payment, by wire transfer of immediately available funds to the order of the Company to an account designated by the Company, of the amount obtained by multiplying the number of Warrant Shares designated in the Notice of Exercise by the Exercise Price (the "Purchase Price"). For purposes hereof, "Exercise Date" shall mean the date on which all deliveries required to be made to the Company upon exercise of this Warrant pursuant to this Section 2(a) shall have been made. The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder. No originals of the Notice of Exercise shall be required to be delivered, nor shall any medallion guarantee (or any other type of guarantee or notarization) of any Notice of Exercise shall be required.

(b) Issuance of Certificates. As soon as practicable after the exercise of this Warrant, in whole or in part, in accordance with Section 2(a) hereof (and in no event later than two (2) Trading Days following the delivery of the Notice of Exercise), the Company, at its expense, shall cause to be issued in the name of and delivered to the Holder: (i) a certificate or certificates for (or, if applicable, by delivery through the facilities of the Depository Trust Company in electronic form of) the number of fully paid and non-assessable Warrant Shares to which the Holder shall be entitled upon such exercise and, if applicable, (ii) a new warrant of like tenor to purchase all of the Warrant Shares that may be purchased pursuant to the portion, if any, of this Warrant not exercised by the Holder. The Holder shall for all purposes hereof be deemed to have become the Holder of record of such Warrant Shares on the date on which the Notice of Exercise and payment of the Purchase Price in accordance with Section 2(a) hereof were delivered and made, respectively, irrespective of the date of delivery of such certificate or certificates, except that if the date of such delivery, notice and payment is a date when the stock transfer books of the Company are closed, such person shall be deemed to have become the holder of record of such Warrant Shares at the close of business on the next succeeding date on which the stock transfer books are open.

(c) Taxes. The issuance of the Warrant Shares upon the exercise of this Warrant, and the delivery of certificates or other instruments representing such Warrant Shares, shall be made without charge to the Holder for any tax or other charge of whatever nature in respect of such issuance and the Company shall bear any such taxes in respect of such issuance.

(d) Cashless Exercise. If at the time of exercise hereof there is no effective registration statement registering, or the prospectus contained therein is not available for the issuance of the Warrant Shares to the Holder, then this Warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = as applicable: (i) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise if such Notice of Exercise is (1) both executed and delivered pursuant to Section 2(a) hereof on a day that is not a Trading Day or (2) both executed and delivered pursuant to Section 2(a) hereof on a Trading Day prior to the opening of "regular trading hours" (as defined in Rule 600(b)(64) of Regulation NMS promulgated under the federal securities laws) on such Trading Day, (ii) at the option of the Holder, either (y) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise or (z) the Bid Price of Common Stock on the principal Trading Market as reported by Bloomberg L.P. as of the time of the Holder's execution of the applicable Exercise Notice if such Notice of Exercise is executed during "regular trading hours" on a Trading Day and is delivered within two (2) hours thereafter pursuant to Section 2(a) hereof or (iii) the VWAP on the date of the applicable Notice of Exercise if the date of such Notice of Exercise is a Trading Day and such Notice of Exercise is both executed and delivered pursuant to Section 1(a) hereof after the close of "regular trading hours" on such Trading Day;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

If Warrant Shares are issued in such a cashless exercise, the parties acknowledge and agree that in accordance with Section 3(a)(9) of the Securities Act, the Warrant Shares shall take on the registered characteristics of the Warrants being exercised. The Company agrees not to take any position contrary to this Section 2(d).

"Bid Price" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the bid price of the Common Stock for the time in question (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Stock are then reported in the "Pink Sheets" published by OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holders of a majority in interest of the Warrants then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

"Trading Day" means a day on which the principal Trading Market is open for trading.

"Trading Market" means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange (or any successors to any of the foregoing).

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Stock are then reported in the "Pink Sheets" published by OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Company and reasonably acceptable to Holders holding Warrants to acquire a majority of the Warrant Shares issuable pursuant to the Warrants that were originally issued by the Company on the Issue Date, the fees and expenses of which shall be paid by the Company.

Without limiting the rights of a Holder to receive Warrant Shares on a "cashless exercise", in no event will the Company be required to net cash settle a Warrant exercise.

(e) Holder's Exercise Limitations. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates (as defined in Rule 405 under the Securities Act), and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates (such Persons, "Attribution Parties")), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates and Attribution Parties shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates or Attribution Parties and (ii) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any securities of the Company or its subsidiaries which would entitle the holder thereof to acquire at any time shares of Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, shares of Common Stock (collectively, "Common Stock Equivalents")) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its Affiliates or Attribution Parties. Except as set forth in the preceding sentence, for purposes of this Section 2(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(e) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(e), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as reflected in (A) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (B) a more recent public announcement by the Company or (C) a more recent written notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within two Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates or Attribution Parties since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be [4.99%/9.99%] of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Holder, upon notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 2(e), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant held by the Holder and the provisions of this Section 2(e) shall continue to apply. Any increase in the Beneficial Ownership Limitation will not be effective until the 61st day after such notice is delivered to the Company. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(e) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

3. Adjustment of Exercise Price.

(a) Fundamental Transaction. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of shares of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding shares of Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the shares of Common Stock or any compulsory stock exchange pursuant to which the shares of Common Stock are effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "Fundamental Transaction"), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder (without regard to any limitation in Section 2(e) on the exercise of this Warrant), the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(e) on the exercise of this Warrant). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of shares of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 3(e) pursuant to written agreements in customary form and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction). Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

(b) Adjustments for Split, Subdivision or Combination of Shares. If while this Warrant, or any portion hereof, remains outstanding and unexpired the Company shall subdivide (by any stock split, stock dividend, recapitalization, reorganization, reclassification or otherwise) the shares of Common Stock subject to acquisition hereunder, then, upon the effective date of such subdivision, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of shares of Common Stock subject to acquisition upon exercise of the Warrant will be proportionately increased. If the Company at any time combines (by reverse stock split, recapitalization, reorganization, reclassification or otherwise) the shares of Common Stock subject to acquisition hereunder, then, upon the effective date of such combination, the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of shares of Common Stock subject to acquisition upon exercise of the Warrant will be proportionately decreased.

(c) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 3(b) above, if at any time the Company grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the "Purchase Rights"), then, upon any exercise of this Warrant, the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

(d) Pro Rata Distributions. During such time as this Warrant is outstanding, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) other than a dividend or other distribution of the type described in Section 3(b) above (a "Distribution"), at any time after the issuance of this Warrant, then, upon any exercise of this Warrant, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution (provided, however, to the extent that the Holder's right to participate in any such Distribution would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Distribution to such extent (or in the beneficial ownership of any shares of Common Stock as a result of such Distribution to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

(e) Notice of Adjustments. Upon any adjustment of the Exercise Price and any increase or decrease in the number of Warrant Shares purchasable upon the exercise of this Warrant, then, and in each such case, the Company, within 15 days thereafter, shall give written notice thereof to the Holder at the address of such Holder as shown on the books of the Company, which notice shall state the Exercise Price as adjusted and, if applicable, the increased or decreased number of Warrant Shares purchasable upon the exercise of this Warrant, setting forth in reasonable detail the method of calculation of each.

4. Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in accordance with Section 5.4 of the Purchase Agreement.

5. Legends. Unless the Warrant Shares are registered for resale with the Commission, each certificate evidencing the Warrant Shares issued upon exercise of this Warrant shall be stamped or imprinted with a legend required pursuant to the Purchase Agreement.

6. Removal of Legend. Upon request of a holder of a certificate with the legends required by Section 5 hereof, the Company shall issue to such holder a new certificate therefor free of any transfer legend, if, with such request, the Company shall have received an opinion of counsel satisfactory to the Company in form and substance to the effect that any transfer by such holder of the Warrant Shares evidenced by such certificate will not violate the Securities Act or any applicable state securities law.

7. Fractional Shares. No fractional Warrant Shares will be issued in connection with any exercise hereunder. Instead, the Company shall round up, as nearly as practicable to the nearest whole Share, the number of Warrant Shares to be issued.

8. Rights of Stockholders. Except as expressly provided herein, the Holder, as such, shall not be entitled to vote or be deemed the holder of the Warrant Shares or any other securities of the Company that may at any time be issuable on the exercise hereof for any purpose, nor shall anything contained herein be construed to confer upon the Holder, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action (whether upon any recapitalization, issuance of stock, reclassification of stock, change of par value, consolidation, merger, conveyance, or otherwise) or to receive notice of meetings, or otherwise until this Warrant shall have been exercised and the Warrant Shares purchasable upon the exercise hereof shall have been issued, as provided herein.

9. Transferability.

(a) Transferability. This Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent and funds sufficient to pay any transfer taxes payable upon the making of such transfer. In connection with any transfer other than pursuant to an effective Registration Statement or Rule 144, to the Company or to an Affiliate of a Purchaser or in connection with a pledge as contemplated in Section 4.1(b) of the Purchase Agreement, the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of the Purchase Agreement and shall have the rights and obligations of a Purchaser under the Purchase Agreement. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company unless the Holder has assigned this Warrant in full, in which case, the Holder shall surrender this Warrant to the Company within three (3) Trading Days of the date the Holder delivers an assignment form to the Company assigning this Warrant in full. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

(b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 9(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the original issuance date of this Warrant and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

(c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

10. Miscellaneous.

(a) This Warrant and disputes arising hereunder shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to agreements made and to be performed wholly within such State, without regard to its conflict of law rules. Any action brought by either party against the other concerning the transaction contemplated by this Warrant shall be brought only in the state courts of Delaware or in the federal courts located in the state of Delaware. The parties to this Warrant hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens. The Company and Holder waive trial by jury.

(b) The headings in this Warrant are for purposes of reference only, and shall not limit or otherwise affect any of the terms hereof.

(c) The covenants of the respective parties contained herein shall survive the execution and delivery of this Warrant.

(d) The terms of this Warrant shall be binding upon and shall inure to the benefit of any successors or permitted assigns of the Company and of the Holder and of the Warrant Shares issued or issuable upon the exercise hereof.

(e) This Warrant and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subject hereof.

(f) The Company shall not, by amendment of its Certificate of Incorporation or Bylaws, or through any other means, directly or indirectly, avoid or seek to avoid the observance or performance of any of the terms of this Warrant and shall at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder contained herein against impairment.

(g) Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of any such loss, theft or destruction, upon delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company, or, in the case of any such mutilation, upon surrender and cancellation of such Warrant, the Company, at its expense, will execute and deliver to the Holder, in lieu thereof, a new Warrant of like date and tenor.

(h) This Warrant and any provision hereof may be amended, waived or terminated only by an instrument in writing signed by the Company and the Holder.

(i) The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant and the other Transaction Documents, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the right of the Holder to pursue actual damages for any failure by the Company to comply with the terms of this Warrant. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the holder of this Warrant shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer.

DARIOHEALTH CORP.

By: _____

Name:
Title:

Exhibit A

NOTICE OF EXERCISE

TO: DarioHealth Corp., attention: President

The undersigned hereby elects to purchase the below referenced shares (the "Warrant Shares") of Common Stock of DarioHealth Corp. (the "Company") pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price of such Warrant Shares in full. Payment of the purchase price is being made by:

_____ a cash exercise with respect to _____ Warrant Shares.

_____ if permitted, the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2(d), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 2(d).

Please issue a certificate or certificates representing said shares in the name of the undersigned or in such other name as is specified below:

1. Name: _____
2. Address: _____
3. DWAC Instructions (if applicable): _____

The undersigned hereby represents and warrants the following:

(a) It (i) has such knowledge and experience in financial and business affairs that he/she/it is capable of evaluating the merits and risks involved in purchasing the Warrant Shares, (ii) is able to bear the economic risks involved in purchasing the Warrant Shares, and (iii) is a "non-US person" as defined in Regulation S or an "accredited investor" as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) promulgated under the Securities Act of 1933, as amended;

(b) In making the decision to purchase the Warrant Shares, it has relied solely on independent investigations made by it and has had the opportunity to ask questions of, and receive answers from, the Company concerning the Warrant Shares, the financial condition, prospective business and operations of the Company and has otherwise had an opportunity to obtain any additional information, to the extent that the Company possess such information or could acquire it without unreasonable effort or expense;

(c) Its overall commitment to investments that are not readily marketable is not disproportionate to its net worth and income, and the purchase of the Warrant Shares will not cause such overall commitment to become disproportionate; it can afford to bear the loss of the purchase price of the Warrant Shares;

(d) It has no present need for liquidity in its investment in the Warrant Shares; and

(e) It acknowledges that the transaction contemplated in connection with the purchase of the Warrant Shares has not been reviewed or approved by the Securities and Exchange Commission or by any administrative agency charged with the administration of the securities laws of any state, and that no such agency has passed on or made any recommendation or endorsement of any of the securities contemplated hereby.

_____

(Signature and Date)

Exhibit C

Company Wiring Instructions

Bank Leumi USA - ABA# 026 00 2794
Account Name - DarioHealth Corp.
Account No - 22-660127-18
Swift LUMIUS3N
Bank address - 579 Fifth Avenue 5th Floor | New York

Exhibit D-1

ACCREDITED INVESTOR QUESTIONNAIRE

DarioHealth Corp.
9 Halamish Street
Caesarea Industrial Park, Israel 3088900

In connection with my purchase of a certain securities ("Securities") of DarioHealth Corp., a Delaware corporation (the "Company"), I, the undersigned subscriber ("I" or "Investor") understand that the offer and sale of the Securities to me is contingent upon my status as an "Accredited Investor" as defined pursuant to the terms of the Securities Act of 1933, as amended (the "Act"). In connection with the purchase, I have reviewed and completed the Accredited Investor Questionnaire set forth below:

As of the date hereof, the Investor is (**check all appropriate categories**):

☐ A natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his or her purchase exceeds $1,000,000. When determining net worth for purposes of Rules 215 and 501(a)(5) of the Act, the value of an individual's primary residence should be excluded. The value of the primary residence is determined by subtracting from the estimated fair market value of the property, the amount of debt secured by the property up to the estimated fair market value;

☐ A natural person who had individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year. Individual income is defined as adjusted gross income (as reported for federal income tax purposes), less any income earned by a spouse or from property owned by a spouse, increased by the following amounts (not attributable to a spouse): (i) the amount of any tax exempt interest income received, (ii) the amount of losses claimed a limited partner in a limited partnership, and (iii) any deductions claimed for depletion.

☐ A director or an executive officer of the Company.

☐ A bank as defined in Section 3(a)(2) of the Securities Act, or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity;

☐ A broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934;

☐ An insurance company as defined in Section 2(13) of the Securities Act;

☐ An investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act;

☐ A Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958;

☐ A plan established and maintained by a state, its political subdivisions, any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000;

☐ An employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000, or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

☐ A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

☐ An organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the Notes, with total assets in excess of $5,000,000;

☐ A trust with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the Notes, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) under the Securities Act.

☐ An entity in which all equity owners are accredited investors.

In addition, as of this date, I hereby represent and warrant to the Company and agree as follows:

1. I acknowledge that the Securities, and any other securities issuable upon exercise of any conversion or other rights that are a part of the Securities, have not been and will not be registered under the Act, and are being offered and sold under one or more of the exemptions from registration provided for in Sections 4(a)(2), as well as Regulation D promulgated under the Act. I further acknowledge that the Securities have not been qualified under any state securities laws in reliance on an exemption from qualification. I also acknowledge that the Company is relying on the truth and accuracy of my representations, warranties, and acknowledgments made in this Questionnaire in offering the Securities for sale without registering them under the Act or qualifying them under applicable state securities laws.

2. If a natural person, I am a citizen of the United States, and at least 18 years of age. I am a bona fide resident and domiciliary (not a temporary or transient resident) of the state indicated on the signature page hereto, and have no present intention of becoming a resident of any other state or jurisdiction.

3. I understand that (i) an investment in the Securities is suitable only for an investor who is able to bear the economic consequences of losing his or her entire investment; (ii) an investment in the Securities is speculative and involves a high degree of risk of loss; and (iii) there are substantial restrictions on the transferability of the Securities, and accordingly, it may not be possible to liquidate my investment in the Securities in the case of an emergency.

4. I have the financial ability (i) to bear the economic risk of my investment in the Securities; (ii) to hold the Securities for an indefinite period of time; and (iii) currently to afford a complete loss of my investment in the Securities without experiencing any undue financial difficulties, and my commitments to all speculative investments (including my investment in the Securities) are reasonable in relation to my net worth and annual income.

5. I acknowledge that this transaction has not been reviewed or scrutinized by the Securities and Exchange Commission or by any administrative agency charged with the administration of the securities laws of any state, and that no such agency has passed on or made any recommendation or endorsement of the Securities.

6. I am acquiring the Securities in good faith solely for my personal account (or a trust account if I am a trustee), for investment purposes only, and not with a view to any sale, distribution, subdivision, or fractionalization of the Securities, in whole or in part.

7. I acknowledge that the Securities, and any other securities issuable upon exercise of any conversion or other rights that are a part of the Securities, are and will be "restricted securities" within the meaning of Rule 144 promulgated under the Act; that the Securities are not and will not be registered under the Act and must be held indefinitely unless they are subsequently registered under the Act and qualified under any applicable state and foreign securities laws, or unless an exemption from registration or qualification is available. I understand the resale limitations imposed by the Act and am familiar with Rule 144, as presently in effect, and the conditions that must be met in order for that Rule to be available for the resale of "restricted securities".

8. I agree not to sell, convey, transfer, pledge, hypothecate, or otherwise dispose of ("Transfer") any of the Securities unless (i) the Securities to be Transferred have been registered under the Act and qualified under any applicable state and foreign securities laws, or (ii) I have notified the Company of the proposed Transfer, and I have presented the Company with a written opinion of counsel satisfactory to the Company or a "no-action" or interpretive letter from the Securities and Exchange Commission stating that registration is not required under the circumstances of the proposed Transfer, and counsel to the Company shall have concurred with the opinion of my counsel or the applicability of the no-action or interpretive letter; provided that no Transfer of any of the Securities shall be permitted except in compliance with the terms and conditions of any agreement between me and the Company imposing restrictions on the Transfer of the Securities.

9. I agree to indemnify and hold harmless the Company, its officers and directors, and any of its affiliates, associates, agents, or employees from and against any and all loss, damage, or liability (including costs and attorneys' fees) due to or arising out of a breach of any representation, warranty, or acknowledgment made by me in this Questionnaire.

10. The representations, warranties, acknowledgments, and agreements set forth in this Questionnaire and the Securities Purchase Agreement shall survive both (i) my purchase and the Company's issuance and delivery of the Securities, and (ii) my death or disability, and will be binding upon my heirs, executors, administrators, successors, and assigns.

Investor is an entity, sign here:

_____
(Name of entity)

By: _____
Name:
Title:

Address: _____

_____

_____

_____

If Investor is an individual, sign here:

Signature: _____

Print Name: _____

Address: _____

_____

Exhibit D-2

NON U.S. PERSON REPRESENTATIONS

Each Purchaser indicating that it is not a U.S. person, severally and not jointly, further represents and warrants to the Company as follows:

1. At the time of (a) the offer by the Company and (b) the acceptance of the offer by such person or entity, of the Securities, such person or entity was outside the United States.

2. Such person or entity is acquiring the Securities for such Purchaser's own account, for investment and not for distribution or resale to others and is not purchasing the Securities for the account or benefit of any U.S. person, or with a view towards distribution to any U.S. person, in violation of the registration requirements of the Securities Act.

3. Such person or entity will make all subsequent offers and sales of the Securities either (x) outside of the United States in compliance with Regulation S; (y) pursuant to a registration under the Securities Act; or (z) pursuant to an available exemption from registration under the Securities Act. Specifically, such person or entity will not resell the Securities to any U.S. person or within the United States prior to the expiration of a period commencing on the Closing Date and ending on the date that is one year thereafter (the "Distribution Compliance Period"), except pursuant to registration under the Securities Act or an exemption from registration under the Securities Act.

4. Such person or entity has no present plan or intention to sell the Securities in the United States or to a U.S. person at any predetermined time, has made no predetermined arrangements to sell the Securities and is not acting as a distributor of such securities.

5. Neither such person or entity, its affiliates nor any person acting on behalf of such person or entity, has entered into, has the intention of entering into, or will enter into any put option, short position or other similar instrument or position in the U.S. with respect to the Securities at any time after the Closing Date through the Distribution Compliance Period except in compliance with the Securities Act.

6. Such person or entity consents to the placement of a legend on any certificate or other document evidencing the Securities substantially in the form set forth in Section 4.1.

7. Such person or entity is not acquiring the Securities in a transaction (or an element of a series of transactions) that is part of any plan or scheme to evade the registration provisions of the Securities Act.

8. Such person or entity has sufficient knowledge and experience in finance, securities, investments and other business matters to be able to protect such person's or entity's interests in connection with the transactions contemplated by this Agreement.

9. Such person or entity has consulted, to the extent that it has deemed necessary, with its tax, legal, accounting and financial advisors concerning its investment in the Securities.

10. Such person or entity understands the various risks of an investment in the Securities and can afford to bear such risks for an indefinite period of time, including, without limitation, the risk of losing its entire investment in the Securities.

11. Such person or entity has had access to the Company's publicly filed reports with the Commission and has been furnished during the course of the transactions contemplated by this Agreement with all other public information regarding the Company that such person or entity has requested and all such public information is sufficient for such person or entity to evaluate the risks of investing in the Securities.

12. Such person or entity has been afforded the opportunity to ask questions of and receive answers concerning the Company and the terms and conditions of the issuance of the Securities.

13. Such person or entity is not relying on any representations and warranties concerning the Company made by the Company or any officer, employee or agent of the Company, other than those contained in this Agreement.

14. Such person or entity will not sell or otherwise transfer the Securities unless either (A) the transfer of such securities is registered under the Securities Act or (B) an exemption from registration of such securities is available.

15. Such person or entity represents that the address furnished on its signature page to this Agreement is the principal residence if he is an individual or its principal business address if it is a corporation or other entity.

16. Such person or entity understands and acknowledges that the Securities have not been recommended by any federal or state securities commission or regulatory authority, that the foregoing authorities have not confirmed the accuracy or determined the adequacy of any information concerning the Company that has been supplied to such person or entity and that any representation to the contrary is a criminal offense.

Annex A

DARIOHEALTH CORP.

Selling Stockholder Notice and Questionnaire

The undersigned beneficial owner of common stock (the "Registrable Securities") of DarioHealth Corp., a Delaware corporation (the "Company"), understands that the Company has filed or intends to file with the Securities and Exchange Commission (the "Commission") a registration statement (the "Registration Statement") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), of the Shares, in accordance with the terms of the Securities Purchase Agreement (the "Securities Rights Agreement") to which this document is annexed. A copy of the Securities Purchase Agreement is available from the Company upon request at the address set forth below. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Securities Purchase Agreement.

Certain legal consequences arise from being named as a selling stockholder in the Registration Statement and the related prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling stockholder in the Registration Statement and the related prospectus.

NOTICE

The undersigned beneficial owner (the "Selling Stockholder") of Registrable Securities hereby elects to include the Registrable Securities owned by it in the Registration Statement.

The undersigned hereby provides the following information to the Company and represents and warrants that such information is accurate:

QUESTIONNAIRE

1. Name.

(a) Full Legal Name of Selling Stockholder

_____

(b) Full Legal Name of Registered Holder (if not the same as (a) above) through which Registrable Securities are held:

_____

(c) Full Legal Name of Natural Control Person (which means a natural person who directly or indirectly alone or with others has power to vote or dispose of the securities covered by this Questionnaire):

_____

2. Address for Notices to Selling Stockholder:

_____

_____

_____

Telephone: _____

Fax: _____

Contact Person: _____

_____

3. Broker-Dealer Status:

(a) Are you a broker-dealer?

Yes ☐ No ☐

(b) If "yes" to Section 3(a), did you receive your Registrable Securities as compensation for investment banking services to the Company?

Yes ☐ No ☐

Note: If "no" to Section 3(b), the Commission's staff has indicated that you should be identified as an underwriter in the Registration Statement.

(c) Are you an affiliate of a broker-dealer?

Yes ☐ No ☐

(d) If you are an affiliate of a broker-dealer, do you certify that you purchased the Registrable Securities in the ordinary course of business, and at the time of the purchase of the Registrable Securities to be resold, you had no agreements or understandings, directly or indirectly, with any person to distribute the Registrable Securities?

Yes ☐ No ☐

Note: If "no" to Section 3(d), the Commission's staff has indicated that you should be identified as an underwriter in the Registration Statement.

4. Beneficial Ownership of Securities of the Company Owned by the Selling Stockholder.

Except as set forth below in this Item 4, the undersigned is not the beneficial or registered owner of any securities of the Company other than the securities issuable pursuant to the Purchase Agreement.

(a) Type and Amount of other securities beneficially owned by the Selling Stockholder:

_____

_____

5. Relationships with the Company:

Except as set forth below, neither the undersigned nor any of its affiliates, officers, directors or principal equity holders (owners of 5% of more of the equity securities of the undersigned) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.

State any exceptions here:

_____

_____

The undersigned agrees to promptly notify the Company of any material inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while the Registration Statement remains effective; provided, that the undersigned shall not be required to notify the Company of any changes to the number of securities held or owned by the undersigned or its affiliates.

By signing below, the undersigned consents to the disclosure of the information contained herein in its answers to Items 1 through 5 and the inclusion of such information in the Registration Statement and the related prospectus and any amendments or supplements thereto. The undersigned understands that such information will be relied upon by the Company in connection with the preparation or amendment of the Registration Statement and the related prospectus and any amendments or supplements thereto.

_____

IN WITNESS WHEREOF the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Date: _____ Beneficial Owner: _____

By: _____
Name:
Title:

PLEASE FAX A COPY (OR EMAIL A .PDF COPY) OF THE COMPLETED AND EXECUTED NOTICE AND QUESTIONNAIRE TO:

SECURITIES PURCHASE AGREEMENT

This **SECURITIES PURCHASE AGREEMENT** (this "Agreement") is dated as of February 28, 2018, by and among DarioHealth Corp., a Delaware corporation (the "Company"), and each purchaser identified on the signature pages hereto (each, including its successors and assigns, a "Purchaser" and collectively, the "Purchasers").

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act") and Rule 506(b) of Regulation D and Rule 903 of Regulation S promulgated thereunder, the Company desires to issue and sell to each Purchaser, and each Purchaser, severally and not jointly, desires to purchase from the Company, securities of the Company as more fully described in this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the Company and each Purchaser agree as follows:

ARTICLE I.
DEFINITIONS

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement, the following capitalized terms have the meanings set forth in this Section 1.1:

"Acquiring Person" shall have the meaning ascribed to such term in Section 4.7.

"Action" shall have the meaning ascribed to such term in Section 3.1(j).

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

"BHCA" shall have the meaning ascribed to such term in Section 3.1(hh).

"Board of Directors" means the board of directors of the Company.

"Business Day" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"Certificate of Designation" means the Certificate of Designation to be filed prior to the Closing by the Company with the Secretary of State of Delaware, in the form of Exhibit A attached hereto.

"Closing" means the closing of the purchase and sale of the Securities pursuant to Section 2.1.

"Closing Date" means the Trading Day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to (i) the Purchasers' obligations to pay the Subscription Amount and (ii) the Company's obligations to deliver the Securities, in each case, have been satisfied or waived, but in no event later than the second Trading Day following the date hereof.

"Commission" means the United States Securities and Exchange Commission.

"Common Shares" shall mean such number of shares of Common Stock issuable to the Purchaser pursuant to Section 2.1 in lieu of the issuance of the Shares as otherwise contemplated herein.

"Common Stock" means the common stock of the Company, par value $0.0001 per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

"Common Stock Equivalents" means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

"Conversion Price" shall have the meaning ascribed to such term in the Certificate of Designation.

"Conversion Shares" shall have the meaning ascribed to such term in the Certificate of Designation.

"Disclosure Schedules" means the Disclosure Schedules of the Company delivered concurrently herewith.

"Disqualification Event" shall have the meaning ascribed to such term in Section 3.1(mm).

"DVP" shall have the meaning ascribed to such term in Section 2.1.

"Environmental Laws" shall have the meaning ascribed to such term in Section 3.1(m).

"Evaluation Date" shall have the meaning ascribed to such term in Section 3.1(s).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"FCPA" means the Foreign Corrupt Practices Act of 1977, as amended.

"Federal Reserve" shall have the meaning ascribed to such term in Section 3.1(hh).

"Filing Date" means the 45th calendar day following the final Closing Date.

"GAAP" shall have the meaning ascribed to such term in Section 3.1(h).

"Hazardous Material" shall have the meaning ascribed to such term in Section 3.1(m).

"Intellectual Property Rights" shall have the meaning ascribed to such term in Section 3.1(p).

"Legend Removal Date" shall have the meaning ascribed to such term in Section 4.1(c).

"Liens" means a lien, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

"Material Adverse Effect" shall have the meaning assigned to such term in Section 3.1(b).

"Material Permits" shall have the meaning ascribed to such term in Section 3.1(n).

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"Preferred Stock" means up to 2,000,000 shares of the Company's Series C Convertible Preferred Stock issued hereunder having the rights, preferences and privileges set forth in the Certificate of Designation.

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Purchaser Party" shall have the meaning ascribed to such term in Section 4.10.

"Registration Statement" means a registration statement covering the resale of the Conversion Shares, or alternatively, any Common Shares that may be issued by the Company in lieu of Preferred Stock, and the Warrant Shares, by each Purchaser.

"Required Approvals" shall have the meaning ascribed to such term in Section 3.1(e).

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such rule.

"Securities" means the Preferred Stock, the Conversion Shares and/or the Common Shares, the Warrants and the Warrant Shares, as applicable.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Shares" means the Preferred Stock issued or issuable to each Purchaser pursuant to this Agreement.

"Short Sales" means all "short sales" as defined in Rule 200 of Regulation SHO under the Exchange Act (but shall not be deemed to include locating and/or borrowing shares of Common Stock).

"Stated Value" means $2.80 per share of Preferred Stock.

"Standard Settlement Period" shall have the meaning ascribed to such term in Section 4.1(c).

"Stockholder Approval" means such approval as may be required by the applicable rules and regulations of the Nasdaq Stock Market (or any successor entity) from the stockholders of the Company with respect to the transactions contemplated by the Transaction Documents relating to the issuance and sale of the Preferred Stock and/or the issuance of the Conversion Shares.

"Subscription Amount" shall mean, as to each Purchaser, the aggregate amount to be paid for the Securities purchased hereunder as specified below such Purchaser's name on the signature page of this Agreement and next to the heading "Subscription Amount," in United States dollars and in immediately available funds.

"Subsidiary" means (i) LabStyle Innovation Ltd., an Israeli company and (ii) LabStyle Innovations US LLC, a Delaware limited liability company, and "Subsidiaries" means each Subsidiary collectively.

"Trading Day" means a day on which the principal Trading Market is open for trading.

"Trading Market" means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange or the OTC Bulletin Board or OTCQB Marketplace operated by OTC Markets Group, Inc. (or any successors to any of the foregoing).

"Transaction Documents" means this Agreement and the Certificate of Designation, the Warrants, all exhibits and schedules thereto and hereto and any other documents or agreements executed in connection with the transactions contemplated hereunder.

"Transfer Agent" means VStock Transfer, LLC, the current transfer agent of the Company, with an address at 18 Lafayette Place, Woodmere, NY 11598, and any successor transfer agent of the Company.

"Warrants" means the Warrant in the form of Exhibit B attached hereto, to purchase shares of Common Stock at an exercise price of $1.80 per share, exercisable between six months and eighteen months from the date of issuance.

"Warrant Shares" means the shares of Common Stock issuable upon exercise of the Warrants.

ARTICLE II.
PURCHASE AND SALE

2.1 Closing. On the Closing Date, upon the terms and subject to the conditions set forth herein, substantially concurrent with the execution and delivery of this Agreement by the parties hereto, the Company agrees to sell, and the Purchasers, severally and not jointly, agree to purchase, an aggregate of up to $4,630,000 of Shares and/or Common Shares, and accompanying Warrant, with an aggregate value for each Purchaser equal to such Purchaser's Subscription Amount as set forth on the signature page hereto executed by such Purchaser. Each Purchaser acknowledges and agrees that the Company may, at its sole option, in lieu of all or a portion of the Shares, attribute and sell to each Purchaser Common Shares, with the number of Common Shares to be sold to each Purchaser, if any, to be determined on a pro rata basis to each Purchaser's proportion of the aggregate Subscription Amounts. Prior to Closing, each Purchaser shall deliver to the Company, via wire transfer of immediately available funds, pursuant to the wire transfer instructions set forth as Exhibit C, cash equal to its Subscription Amount, and as of the Closing (i) the Company shall deliver to each Purchaser the Shares and/or Common Shares, as applicable, and the Warrants, and (ii) the Company and each Purchaser shall deliver the other items set forth in Section 2.2 deliverable at the Closing, provided that it shall not be a condition for the Closing as to any Purchaser that any other Purchaser shall have delivered the items set forth in Section 2.2 to be delivered by such other Purchaser. Upon satisfaction of the covenants and conditions set forth in Sections 2.2 and 2.3, the Closing shall occur at the offices of legal counsel to the Company or such other location as the parties shall mutually agree (and such Closing may be undertaken remotely by electronic exchange of documentation).

2.2 Deliveries.

(a) On or prior to the Closing Date, the Company shall deliver or cause to be delivered to each Purchaser the following:

(i) this Agreement duly executed by the Company;

(ii) within five (5) Business Days of the Closing Date, a stock certificate evidencing that number of Shares equal to such Purchaser's Subscription Amount attributable to Shares pursuant to the Company's option set forth in Section 2.1 divided by the Stated Value, registered in the name of such Purchaser (it being agreed, however, that each Purchaser shall, upon consummation of each Closing, be the record holder of such Shares), and/or such number of Common Shares equal to such Purchaser's Subscription Amount attributable to Common Shares pursuant to the Company's option set forth in Section 2.1 divided by $1.40 per share, registered in the name of such Purchaser (it being agreed, however, that each Purchaser shall, upon consummation of each Closing, be the record holder of such Common Shares) or alternatively, such number of Common Shares entered in book entry with the Transfer Agent; and

(iii) within five (5) Business Days of the Closing Date, the Warrants registered in the name of such Purchaser such that, in the aggregate, the number of Warrant Shares exercisable by such Purchaser will be equal to 80% of the Common Shares issued and/or Conversion Shares issuable to such Purchaser (it being agreed, however, that each Purchaser shall, upon consummation of each Closing, be the record holder of such Warrants).

(b) In addition to delivering the Subscription Amount as contemplated by Section 2.1, which shall be made available for DVP settlement with the Company or its designee, on or prior to the Closing Date, each Purchaser shall deliver or cause to be delivered to the Company the following:

(i) this Agreement duly executed by such Purchaser;

(ii) if you are an individual, provide a copy of your photo identification (e.g., Driver's License or Passport);

(iii) if you are an Accredited Investor (as defined herein), an executed copy of the Accredited Investor Questionnaire set forth on Exhibit D-1; and

(iv) any other subscription documents requested by the Company, duly executed by such Purchaser.

2.3 Closing Conditions.

(a) The obligations of the Company hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects (or, to the extent representations or warranties are qualified by materiality or Material Adverse Effect, in all respects) on the Closing Date of the representations and warranties of the Purchasers contained herein (unless as of a specific date therein in which case they shall be true and correct as of such date);

(ii) all obligations, covenants and agreements of each Purchaser required to be performed at or prior to the Closing Date shall have been performed; and

(iii) the delivery by each Purchaser of the items set forth in Section 2.2(b) of this Agreement.

(b) The respective obligations of the Purchasers hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects (or, to the extent representations or warranties are qualified by materiality or Material Adverse Effect, in all respects) when made and on the Closing Date of the representations and warranties of the Company contained herein (unless as of a specific date therein, which shall be true and correct as of such specified date);

(ii) all obligations, covenants and agreements of the Company required to be performed at or prior to the Closing Date shall have been performed;

(iii) the Company shall have received all governmental, regulatory or third party consents and approvals, if any, necessary for the sale of the Securities;

(iv) there shall have been no Material Adverse Effect with respect to the Company since the date hereof;

(v) if any Shares are to be issued hereunder, the Company shall have filed the Certificate of Designation with the Secretary of State of Delaware;

(vi) from the date hereof to the Closing Date, trading in the Common Stock shall not have been suspended by the Commission or the Company's principal Trading Market, and, at any time prior to the Closing Date, trading in securities generally as reported by Bloomberg L.P. shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by such service, or on any Trading Market, nor shall a banking moratorium have been declared either by the United States or New York State authorities nor shall there have occurred any material outbreak or escalation of hostilities or other national or international calamity of such magnitude in its effect on, or any material adverse change in, any financial market which, in each case, in the reasonable judgment of such Purchaser, makes it impracticable or inadvisable to purchase the Securities at the Closing; and

(vii) the delivery by the Company of the items set forth in Section 2.2(a) of this Agreement.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company. Except as set forth in the Disclosure Schedules, which Disclosure Schedules shall be deemed a part hereof and shall qualify any representation or otherwise made herein to the extent of the disclosure contained in the corresponding section of the Disclosure Schedules, the Company hereby makes the following representations and warranties (which shall be true and correct as of the date hereof and as of the Closing Date) to each Purchaser:

(a) Subsidiaries. The Subsidiaries are the only direct or indirect subsidiaries of the Company. The Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any Liens, and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities.

(b) Organization and Qualification. The Company and each of the Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation nor default of any of the provisions of its respective certificate or articles of incorporation, bylaws or other organizational or charter documents. Each of the Company and the Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not have or reasonably be expected to result in: (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole, or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a "Material Adverse Effect") and no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(c) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents and otherwise to carry out its obligations hereunder and thereunder and to issue the Securities in accordance with the term hereof and thereof. The execution and delivery of this Agreement and each of the other Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's stockholders in connection herewith or therewith, other than in connection with the Required Approvals. This Agreement and each other Transaction Document to which it is a party has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(d) No Conflicts. The execution, delivery and performance by the Company of this Agreement and the other Transaction Documents to which it is a party, the issuance and sale of the Securities and the consummation by it of the transactions contemplated hereby and thereby do not and will not: (i) conflict with or violate any provision of the Company's or any Subsidiary's certificate or articles of incorporation, bylaws or other organizational or charter documents, (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, anti-dilution or similar adjustments, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected, or (iii) subject to the Required Approvals, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of clause (ii) and (iii), such as could not have or reasonably be expected to result in a Material Adverse Effect.

(e) Filings, Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than: (i) the filings required pursuant to Section 4.6 of this Agreement, (ii) the notice and/or application(s) to each applicable Trading Market for the issuance and sale of the Securities and the listing of the Common Shares, Conversion Shares and Warrant Shares for trading thereon in the time and manner required thereby, (iii) the filing of Form D with the Commission and such filings as are required to be made under applicable state securities laws and (iv) Stockholder Approval (collectively, the "Required Approvals").

(f) Issuance of the Securities; Registration. The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents, the Warrant Shares, when paid for and issued in accordance with the terms of the Warrants, will be validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents, and the Company has reserved from its duly authorized capital stock a number of shares of Common Stock for issuance of the Conversion Shares and the Warrant Shares.

(g) Capitalization. As of the date hereof the authorized capital stock of the Company consists of (i) 160,000,000 shares of Common Stock, of which, 14,185,645 are issued and outstanding, and 6,171,470 shares are reserved for issuance pursuant to securities exercisable or exchangeable for, or convertible into, shares of Common Stock (other than the Warrants) and (ii) 5,000,000 shares of preferred stock, of up to which 2,200,000 shall be designated as Series C Convertible Preferred Stock prior to Closing, and no shares of preferred stock are outstanding immediately prior to closing. No shares of Common Stock are held in treasury. All of such outstanding shares are duly authorized and have been, or upon issuance will be, validly issued and are fully paid and nonassessable. As a result of the purchase and sale of the Securities, there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire any shares of Common Stock or the capital stock of any Subsidiary, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional shares of Common Stock or Common Stock Equivalents or capital stock of any Subsidiary. The issuance and sale of the Securities will not obligate the Company or any Subsidiary to issue shares of Common Stock or other securities to any Person (other than the Purchasers) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange or reset price under any of such securities. There are no outstanding securities or instruments of the Company or any Subsidiary that contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to redeem a security of the Company or such Subsidiary. The Company does not have any stock appreciation rights or "phantom stock" plans or agreements or any similar plan or agreement. All of the outstanding shares of capital stock of the Company are duly authorized, validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities, except where the failure to be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Except for the Stockholder Approval for the issuance of the Conversion Shares, no further approval or authorization of any stockholder, the Board of Directors or others is required for the issuance and sale of the Securities. There are no stockholders agreements, voting agreements or other similar agreements with respect to the Company's capital stock to which the Company is a party or, to the knowledge of the Company, between or among any of the Company's stockholders.

(h) SEC Reports; Financial Statements. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "SEC Reports") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Company has never been an issuer subject to Rule 144(i) under the Securities Act. The financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") applied on a consistent basis during the periods involved, except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

(i) Material Changes; Undisclosed Events, Liabilities or Developments. Since the date of the latest audited financial statements included within the SEC Reports, except as specifically disclosed in a subsequent SEC Report filed prior to the date hereof: (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements pursuant to GAAP or disclosed in filings made with the Commission, (iii) the Company has not altered its method of accounting, (iv) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock and (v) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company stock option or incentive plans. The Company does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the Securities contemplated by this Agreement, no event, liability, fact, circumstance, occurrence or development has occurred or exists or is reasonably expected to occur or exist with respect to the Company or its Subsidiaries or their respective businesses, properties, operations, assets or financial condition, that would be required to be disclosed by the Company under applicable securities laws at the time this representation is made or deemed made.

(j) Litigation. There is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an "Action") which (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Securities or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any Subsidiary, nor, to the Company's knowledge, any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the Commission involving the Company or any current or former director or officer of the Company. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company or any Subsidiary under the Exchange Act or the Securities Act.

(k) Labor Relations. No labor dispute exists or, to the knowledge of the Company, is imminent with respect to any of the employees of the Company, which could reasonably be expected to result in a Material Adverse Effect. None of the Company's or its Subsidiaries' employees is a member of a union that relates to such employee's relationship with the Company or such Subsidiary, and neither the Company nor any of its Subsidiaries is a party to a collective bargaining agreement, and the Company and its Subsidiaries believe that their relationships with their employees are good. To the knowledge of the Company, no executive officer of the Company or any Subsidiary, is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant in favor of any third party, and the continued employment of each such executive officer does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all U.S. federal, state, local and foreign laws and regulations relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(l) Compliance. Neither the Company nor any Subsidiary: (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any judgment, decree or order of any court, arbitrator or other governmental authority or (iii) is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety (including Health Insurance Portability and Accountability Act of 1996, as applicable to the Company), product quality and safety and employment and labor matters, except in each case as could not have or reasonably be expected to result in a Material Adverse Effect.

(m) Environmental Laws. The Company and its Subsidiaries (i) are in compliance with all federal, state, local and foreign laws relating to pollution or protection of human health or the environment (including ambient air, surface water, groundwater, land surface or subsurface strata), including laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, "Hazardous Materials") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands, or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations, issued, entered, promulgated or approved thereunder ("Environmental Laws"); (ii) have received all permits licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses; and (iii) are in compliance with all terms and conditions of any such permit, license or approval where in each clause (i), (ii) and (iii), the failure to so comply could be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

(n) Regulatory Permits. The Company and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits could not reasonably be expected to result in a Material Adverse Effect ("Material Permits"), and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit.

(o) Title to Assets. The Company and the Subsidiaries have good and marketable title in fee simple to all real property owned by them and good and marketable title in all personal property owned by them that is material to the business of the Company and the Subsidiaries, in each case free and clear of all Liens, except for (i) Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries and (ii) Liens for the payment of federal, state or other taxes, for which appropriate reserves have been made therefor in accordance with GAAP and, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Company and the Subsidiaries are in compliance in all material respects.

(p) Intellectual Property. The Company and the Subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, inventions, copyrights, licenses and other intellectual property rights and similar rights as described in the SEC Reports as necessary or required for use in connection with their respective businesses and which the failure to so could have a Material Adverse Effect (collectively, the "Intellectual Property Rights"). Except as set forth on Schedule 3.1(p) of the Disclosure Schedule, none of, and neither the Company nor any Subsidiary has received a notice (written or otherwise) that any of, the Intellectual Property Rights has expired, terminated or been abandoned, or is expected to expire or terminate or be abandoned, within two (2) years from the date of this Agreement. Neither the Company nor any Subsidiary has received, since the date of the latest audited financial statements included within the SEC Reports, a written notice of a claim or otherwise has any knowledge that the Intellectual Property Rights violate or infringe upon the rights of any Person, except as could not have or reasonably be expected to have a Material Adverse Effect. To the knowledge of the Company, all such Intellectual Property Rights are enforceable. With the possible exception of one third-party company that is selling a product that may infringe the Company's patent rights, to the knowledge of the Company, there is no existing infringement by another Person of any of the Intellectual Property Rights. The Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their intellectual properties. The Company, and to the Company's knowledge its patent counsel, have complied with the duty of candor and good faith in dealing with the U.S. Patent and Trademark Office and any similar duties in dealing with similar foreign intellectual property office. There are no material defects in the preparation and filing of any of the Company's patents and patent applications. The Company is not obligated to pay a royalty, grant a license, or provide other consideration to any third party in connection with the Intellectual Property Rights. The Company has not infringed (or would infringe) or otherwise violated (or would violate) any intellectual property rights of any third party by conducting its business in the manner in which it is contemplated as set forth in the SEC Reports.

(q) Insurance. The Company and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which the Company and the Subsidiaries are engaged, including, but not limited to, directors and officers insurance coverage at least equal to the aggregate Subscription Amount. Neither the Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

(r) Transactions With Affiliates and Employees. Except as set forth in the SEC Reports, none of the officers or directors of the Company or any Subsidiary and, to the knowledge of the Company, none of the employees of the Company or any Subsidiary is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, providing for the borrowing of money from or lending of money to or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee, stockholder, member or partner, in each case in excess of $120,000 other than for: (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) other employee benefits, including stock option agreements under any stock option plan of the Company.

(s) Sarbanes-Oxley; Internal Accounting Controls. The Company and the Subsidiaries are in compliance with any and all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof, and any and all applicable rules and regulations promulgated by the Commission thereunder that are effective as of the date hereof and as of the Closing Date. The Company and the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company and the Subsidiaries have established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and the Subsidiaries and designed such disclosure controls and procedures to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. The Company's certifying officers have evaluated the effectiveness of the disclosure controls and procedures of the Company and the Subsidiaries as of the end of the period covered by the most recently filed periodic report under the Exchange Act (such date, the "Evaluation Date"). The Company presented in its most recently filed periodic report under the Exchange Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no changes in the internal control over financial reporting (as such term is defined in the Exchange Act) of the Company and its Subsidiaries that have materially affected, or is reasonably likely to materially affect, the internal control over financial reporting of the Company and its Subsidiaries.

(t) Certain Fees. Except as disclosed in writing to a Purchaser, no brokerage or finder's fees or commissions are or will be payable by the Company or any Subsidiary to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. The Purchasers shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by the Transaction Documents.

(u) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Securities, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become an "investment company" subject to registration under the Investment Company Act of 1940, as amended.

(v) Registration Rights. Except as disclosed in the SEC Reports, no Person has any right to cause the Company to effect the registration under the Securities Act of any securities of the Company or any Subsidiary.

(w) Listing and Maintenance Requirements. The Common Stock is registered pursuant to Section 12(b) or 12(g) of the Exchange Act, and the Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act nor has the Company received any notification that the Commission is contemplating terminating such registration. The Company has not, in the twelve (12) months preceding the date hereof, received written notice from any Trading Market on which the Common Stock is or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Trading Market. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements. The Common Stock is currently eligible for electronic transfer through the Depository Trust Company or another established clearing corporation and the Company is current in payment of the fees to the Depository Trust Company (or such other established clearing corporation) in connection with such electronic transfer.

(x) Disclosure. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company confirms that neither it nor any other Person acting on its behalf has provided any of the Purchasers or their agents or counsel with any information that it believes constitutes or might constitute material, non-public information which is not otherwise disclosed in the SEC Reports. The Company understands and confirms that the Purchasers will rely on the foregoing representation in effecting transactions in securities of the Company. All of the disclosure furnished by or on behalf of the Company to the Purchasers regarding the Company and its Subsidiaries, their respective businesses and the transactions contemplated hereby, including the Disclosure Schedules to this Agreement, is true correct and and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The press releases disseminated by the Company during the twelve (12) months preceding the date of this Agreement taken as a whole do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made and when made, not misleading. The Company acknowledges and agrees that no Purchaser makes or has made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 3.2 hereof.

(y) No Integrated Offering. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, neither the Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Securities to be integrated with prior offerings by the Company for purposes of (i) the Securities Act which would require the registration of any such securities under the Securities Act , or (ii) any applicable shareholder approval provisions of any Trading Market on which any of the securities of the Company are listed or designated.

(z) Tax Status. Except for matters that would not, individually, or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, the Company and its Subsidiaries each (i) has made or filed all United States federal, state and local income and all foreign income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations and (iii) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company or of any Subsidiary know of no basis for any such claim.

(aa) No General Solicitation. Neither the Company nor any person acting on behalf of the Company has offered or sold any of the Securities by any form of general solicitation or general advertising. The Company has offered the Securities for sale only to the Purchasers and certain other (i) "accredited investors" within the meaning of Rule 501 under the Securities Act, and (an "Accredited Investor") and (ii) "non-US persons" as defined in Regulation S as promulgated under the Securities Act.

(bb) Foreign Corrupt Practices. Neither the Company nor any Subsidiary, nor to the knowledge of the Company or any Subsidiary, any director, officer, employee, agent or other person acting on behalf of the Company or any Subsidiary, has: (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company or any Subsidiary (or made by any person acting on its behalf of which the Company is aware) which is in violation of law or (iv) violated in any material respect any provision of FCPA.

(cc) Acknowledgment Regarding Purchasers' Purchase of Securities. The Company acknowledges and agrees that each of the Purchasers is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated thereby. The Company further acknowledges that no Purchaser is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby and any advice given by any Purchaser or any of their respective representatives or agents in connection with the Transaction Documents and the transactions contemplated thereby is merely incidental to the Purchasers' purchase of the Securities. The Company further represents to each Purchaser that the Company's decision to enter into this Agreement and the other Transaction Documents has been based solely on the independent evaluation of the transactions contemplated hereby by the Company and its representatives.

(dd) Acknowledgement Regarding Purchaser's Trading Activity. Anything in this Agreement or elsewhere herein to the contrary notwithstanding (except for Sections 3.2(e) and 4.5 hereof), it is understood and acknowledged by the Company that: (i) none of the Purchasers has been asked by the Company to agree, nor has any Purchaser agreed, to desist from purchasing or selling, long and/or short, securities of the Company, or "derivative" securities based on securities issued by the Company or to hold the Securities for any specified term; (ii) past or future open market or other transactions by any Purchaser, specifically including, without limitation, Short Sales or "derivative" transactions, before or after the closing of this or future private placement transactions, may negatively impact the market price of the Company's publicly-traded securities; (iii) any Purchaser, and counter-parties in "derivative" transactions to which any such Purchaser is a party, directly or indirectly, presently may have a "short" position in the Common Stock, and (iv) each Purchaser shall not be deemed to have any affiliation with or control over any arm's length counter-party in any "derivative" transaction. The Company further understands and acknowledges that (y) one or more Purchasers may engage in hedging activities at various times during the period that the Securities and (z) such hedging activities (if any) could reduce the value of the existing stockholders' equity interests in the Company at and after the time that the hedging activities are being conducted. The Company acknowledges that such aforementioned hedging activities do not constitute a breach of any of the Transaction Documents.

(ee) Regulation M Compliance. The Company has not, and to its knowledge no one acting on its behalf has: (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company, other than, in the case of clauses (ii) and (iii), compensation paid to the Company's placement agent or finders in connection with the placement of the Securities.

(ff) Office of Foreign Assets Control. Neither the Company nor any Subsidiary nor, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company or any Subsidiary is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC").

(gg) U.S. Real Property Holding Corporation. The Company is not and has never been a U.S. real property holding corporation within the meaning of Section 897 of the Internal Revenue Code of 1986, as amended, and the Company shall so certify upon Purchaser's request.

(hh) Bank Holding Company Act. Neither the Company nor any of its Subsidiaries or Affiliates is subject to the Bank Holding Company Act of 1956, as amended (the "BHCA") and to regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). Neither the Company nor any of its Subsidiaries or Affiliates owns or controls, directly or indirectly, five percent (5%) or more of the outstanding shares of any class of voting securities or twenty-five percent (25%) or more of the total equity of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve. Neither the Company nor any of its Subsidiaries or Affiliates exercises a controlling influence over the management or policies of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve.

(ii) Money Laundering. The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the "Money Laundering Laws"), and no Action or Proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company and any Subsidiary with respect to the Money Laundering Laws is pending or, to the knowledge of the Company or any Subsidiary, threatened.

(jj) Application of Takeover Protections; Rights Agreement. The Company and its Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, interested stockholder, business combination, poison pill (including, without limitation, any distribution under a rights agreement) or other similar anti-takeover provision under the Certificate of Incorporation, Bylaws or other organizational documents or the laws of the jurisdiction of its formation which is or could become applicable to any Purchaser as a result of the transactions contemplated by this Agreement, including, without limitation, the Company's issuance of the Securities and any Purchaser's ownership of the Securities. The Company and its Board of Directors have taken all necessary action, if any, in order to render inapplicable any stockholder rights plan or similar arrangement relating to accumulations of beneficial ownership of shares of Common Stock or a change in control of the Company or any of its Subsidiaries.

(kk) Off Balance Sheet Arrangements. There is no transaction, arrangement, or other relationship between the Company or any of its Subsidiaries and an unconsolidated or other off balance sheet entity that is required to be disclosed by the Company in its Exchange Act filings and is not so disclosed or that otherwise could be reasonably likely to have a Material Adverse Effect.

(ll) Private Placement. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Securities by the Company to the Purchasers as contemplated hereby.

(mm) No Disqualification Events. With respect to the Securities to be offered and sold hereunder in reliance on Rule 506 under the Securities Act, none of the Company, any of its predecessors, any affiliated issuer, any director, executive officer, other officer of the Company participating in the offering hereunder, any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power, nor any promoter (as that term is defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of sale (each, an "Issuer Covered Person") is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a "Disqualification Event"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3). The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event. The Company has complied, to the extent applicable, with its disclosure obligations under Rule 506(e), and has furnished to the Purchasers a copy of any disclosures provided thereunder.

(nn) [RESERVED]

(oo) Notice of Disqualification Events. The Company will notify the Purchasers in writing, prior to the Closing Date of (i) any Disqualification Event relating to any Issuer Covered Person and (ii) any event that would, with the passage of time, reasonably be expected to become a Disqualification Event relating to any Issuer Covered Person, in each case of which it is aware.

(pp) Solvency. Based on the consolidated financial condition of the Company as of the Closing Date, after giving effect to the receipt by the Company of the proceeds from the sale of the Securities hereunder, (i) the fair saleable value of the Company's assets exceeds the amount that will be required to be paid on or in respect of the Company's existing debts and other liabilities (including known contingent liabilities) as they mature, (ii) the Company's assets do not constitute unreasonably small capital to carry on its business as now conducted and as proposed to be conducted including its capital needs taking into account the particular capital requirements of the business conducted by the Company, consolidated and projected capital requirements and capital availability thereof, and (iii) the current cash flow of the Company, together with the proceeds the Company would receive, were it to liquidate all of its assets, after taking into account all anticipated uses of the cash, would be sufficient to pay all amounts on or in respect of its liabilities when such amounts are required to be paid. The Company does not intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be payable on or in respect of its debt). After giving effect to the receipt by the Company of the proceeds from the sale of the Securities hereunder, the Company has no knowledge of any facts or circumstances which lead it to believe that it will file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within one year from the Closing Date.

(qq) Accountants. Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, which has delivered its report with respect to the audited financial statements and schedules included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 is, to the Company's knowledge, an independent registered public accounting firm with respect to the Company as required by the Securities Act and the Exchange Act.

(rr) Regulation of Medical Devices. Company and each Subsidiary (i) possesses all certificates, authorizations, approvals, clearances, licenses, registrations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct its business as presently conducted ("Medical Device Permits"), including, without limitation, all Medical Device Permits required by the United States Food and Drug Administration or any other federal, state or foreign agencies or bodies engaged in the regulation of Medical Devices (a "Regulatory Agency"), (ii) is in compliance with all Medical Device Permits and all Applicable Laws and Requirements (defined below) pertaining to its business as presently conducted, except where such non-compliance is not reasonably expected to result in a Material Adverse Effect, and (iii) has not received any notice of proceedings relating to the revocation or modification of any such Medical Device Permit, except for any revocation or modification that is not reasonably expected to result in a Material Adverse Effect. There is no pending, completed or, to the Company's knowledge, threatened, action (including any lawsuit, arbitration, or legal or administrative or regulatory proceeding, charge, complaint, or investigation) against the Company or any of its Subsidiaries, and none of the Company or any of its Subsidiaries has received any notice, warning letter or other communication from any Regulatory Agency which (i) contests the premarket clearance, licensure, registration, or approval of, the uses of, the distribution of, the manufacturing or packaging of, the testing of, the storage of, the sale of, or the labeling and promotion of any Medical Device, (ii) withdraws its approval of, requests the recall, suspension, or seizure of, or withdraws or orders the withdrawal of advertising or sales promotional materials relating to, any Medical Device, (iii) imposes a clinical hold on any clinical investigation by the Company or any of its Subsidiaries, (iv) enjoins production or manufacturing at any facility of the Company or any of its Subsidiaries or any facility at which a product of the Company or a component of any such product is produced or manufactured, (v) enters or proposes to enter into a consent decree of permanent injunction with the Company or any of its Subsidiaries, or (vi) otherwise alleges any violation of any Applicable Laws and Rules (as defined below) by the Company or any of its Subsidiaries, and which, either individually or in the aggregate, would have a Material Adverse Effect. Neither the Company not any Subsidiary has been informed by any Regulatory Agency that such Regulatory Agency will prohibit the marketing, sale, license or use in any jurisdiction of any product proposed to be developed, produced or marketed by the Company and its Subsidiaries nor has any Regulatory Agency expressed to the Company or any Subsidiary any concern as to approving or clearing for marketing any product being developed or proposed to be developed by the Company and its Subsidiaries, and the Company and its Subsidiaries have not received any information from any Regulatory Agency which would reasonably be expected to lead to such actions.

(ss) Clinical Trials. The clinical, pre-clinical and other studies and tests conducted by or on behalf of or sponsored by the Company or its Subsidiaries were and, if still pending, are being conducted in compliance with all applicable statutes, laws, rules, regulations, policies, guidelines and protocols, as applicable (including, without limitation, those administered or issued by any applicable Regulatory Agency, including the relevant guidelines of the Israeli Ministry of Health) (collectively, "Applicable Laws and Rules"), except for any non-compliance that is not reasonably expected to result in a Material Adverse Effect. Neither the Company nor its Subsidiaries has received any written notices from any Regulatory Agency with respect to any ongoing clinical or pre-clinical studies or tests requiring the termination, suspension or modification of such studies or tests, except for any termination, suspension or modification that is not reasonably expected to result in a Material Adverse Effect.

3.2 Representations and Warranties of the Purchasers. Each Purchaser, for itself and for no other Purchaser, hereby represents and warrants as of the date hereof and as of the Closing Date to the Company as follows (unless as of a specific date therein, in which case they shall be accurate as of such date):

(a) Organization; Authority. Such Purchaser is either an individual or an entity duly incorporated or formed, validly existing and (where such concept is applicable) in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Documents and performance by such Purchaser of the transactions contemplated by the Transaction Documents have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of such Purchaser. Each Transaction Document to which it is a party has been duly executed by such Purchaser, and when delivered by such Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of such Purchaser, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Understandings or Arrangements. Such Purchaser is acquiring the Securities as principal for its own account and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities (this representation and warranty not limiting such Purchaser's right to sell the Securities pursuant to the Registration Statement or otherwise in compliance with applicable federal and state securities laws). Such Purchaser is acquiring the Securities hereunder in the ordinary course of its business. Such Purchaser understands that the Securities are "restricted securities" and have not been registered under the Securities Act or any applicable state securities law and is acquiring the Securities as principal for its own account and not with a view to or for distributing or reselling such Securities or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Securities in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities in violation of the Securities Act or any applicable state securities law (this representation and warranty not limiting such Purchaser's right to sell the Securities pursuant to a registration statement or otherwise in compliance with applicable federal and state securities laws).

(c) Purchaser Status. At the time such Purchaser was offered the Securities, it was, and as of the date hereof it is, and on each date on which it exercises any Warrants, it will be a "non-US person" as defined in Regulation S ("Regulation S") as promulgated under the Securities Act and/or an "accredited investor" as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act.

(d) Experience of Such Purchaser. Such Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment. Such Purchaser is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment. Such Purchaser acknowledges that as of the date hereof, the Company has very limited financial resources, and thus an investment in the Securities is subject to significant risk.

(e) Access to Information. Such Purchaser acknowledges that it has had the opportunity to review the Transaction Documents (including all exhibits and schedules thereto) and the SEC Reports and has been afforded (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the offering of the Securities and the merits and risks of investing in the Securities; (ii) access to information about the Company and its financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; and (iii) the opportunity to obtain such additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment.

(f) Certain Transactions and Confidentiality. Other than consummating the transactions contemplated hereunder, such Purchaser has not, nor has any Person acting on behalf of or pursuant to any understanding with such Purchaser, directly or indirectly, executed any purchases or sales, including Short Sales, of the securities of the Company during the period commencing as of the time that such Purchaser first received a term sheet (written or oral) from the Company or any other Person representing the Company setting forth the material terms of the transactions contemplated hereunder and ending immediately prior to the execution hereof. Notwithstanding the foregoing, in the case of a Purchaser that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Purchaser's assets, the representation set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement. Other than to other Persons party to this Agreement or to such Purchaser's representatives, including, without limitation, its officers, directors, partners, legal counsel and other advisors, employees, agents and Affiliates, such Purchaser has maintained the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction). Notwithstanding the foregoing, for the avoidance of doubt, nothing contained herein shall constitute a representation or warranty, or preclude any actions, with respect to locating or borrowing shares in order to effect Short Sales or similar transactions in the future.

(g) General Solicitation. Such Purchaser is not purchasing the Securities as a result of any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar, or, to the knowledge of such Purchaser, any other general solicitation or general advertisement.

(h) Other Company Holdings. As of the Closing Date, and prior to the consummation of the transactions contemplated by this Agreement, such Purchaser is not, collectively with its Affiliates or any Person with whom such Purchaser is acting in concert, a holder of Common Stock or Common Stock Equivalents in an amount equal to more than 9.99% of the outstanding shares of Common Stock (assuming full exercise or conversion of any such Common Stock Equivalents).

(i) Additional Representations and Warranties of Accredited Investors. Each Purchaser indicating that such Purchaser is an Accredited Investor on its signature page to this Agreement, severally and not jointly, shall complete the Accredited Investor Questionnaire set forth on Exhibit D-1.

(j) Additional Representations and Warranties of Non-U.S. Persons. Each Purchaser indicating that it is not a U.S. person on its signature page to this Agreement, severally and not jointly, further makes the representations and warranties to the Company set forth on Exhibit D-2.

The Company acknowledges and agrees that the representations contained in this Section 3.2 shall not modify, amend or affect such Purchaser's right to rely on the Company's representations and warranties contained in this Agreement or any representations and warranties contained in any other Transaction Document or any other document or instrument executed and/or delivered in connection with this Agreement or the consummation of the transactions contemplated hereby. Notwithstanding the foregoing, for the avoidance of doubt, nothing contained herein shall constitute a representation or warranty, or preclude any actions, with respect to locating or borrowing shares in order to effect Short Sales or similar transactions in the future.

ARTICLE IV.
OTHER AGREEMENTS OF THE PARTIES

4.1 Removal of Legends.

(a) The Securities may only be disposed of in compliance with U.S. state and U.S. federal securities laws. In connection with any transfer of Securities other than pursuant to an effective Registration Statement or Rule 144, to the Company or to an Affiliate of a Purchaser or in connection with a pledge as contemplated in Section 4.1(b), the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights and obligations of a Purchaser under this Agreement.

(b) The Purchasers agree to the imprinting, so long as required by this Section 4.1, of a legend on the Securities substantially in the following form (in addition to any legend required by applicable state securities or "blue sky" laws):

"[NEITHER] THIS SECURITY [NOR THE SECURITIES INTO WHICH THIS SECURITY IS CONVERTIBLE] HAS [NOT] BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR THE COMPANY SHALL HAVE RECEIVED AN OPINION OF COUNSEL THAT REGISTRATION OF SUCH SECURITIES [AND THE SECURITIES ISSUABLE UPON [CONVERSION] OF THIS SECURITY] UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED."

Each certificate representing the Securities, if such securities are being offered to Purchasers in reliance upon Regulation S, shall be stamped or otherwise imprinted with a legend substantially in the following form (in addition to any legend required by applicable state securities or "blue sky" laws):

"[NEITHER] THIS SECURITY [NOR THE SECURITIES INTO WHICH THIS SECURITY IS CONVERTIBLE] HAS [NOT] BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND NEITHER SUCH SECURITIES [AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS SECURITY] NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S PROMULGATED UNDER THE SECURITIES ACT, AND BASED ON AN OPINION OF COUNSEL, WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO THE COMPANY, THAT THE PROVISIONS OF REGULATION S HAVE BEEN SATISFIED, (2) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS OR (3) PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, IN WHICH CASE THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE COMPANY AN OPINION OF COUNSEL, WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH SECURITIES [OR THE SECURITIES ISSUABLE UPON CONVERSION OF THIS SECURITY] MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR OTHERWISE TRANSFERRED IN THE MANNER CONTEMPLATED PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. HEDGING TRANSACTIONS INVOLVING THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT."

The Company acknowledges and agrees that a Purchaser may from time to time pledge pursuant to a bona fide margin agreement with a registered broker-dealer or grant a security interest in some or all of the Securities to a financial institution that is an "accredited investor" as defined in Rule 501(a) under the Securities Act and, if required under the terms of such arrangement, such Purchaser may transfer pledged or secured Securities to the pledgees or secured parties. Such a pledge or transfer would not be subject to approval of the Company and no legal opinion of legal counsel of the pledgee, secured party or pledgor shall be required in connection therewith. Further, no notice shall be required of such pledge. At the appropriate Purchaser's expense, the Company will execute and deliver such reasonable documentation as a pledgee or secured party of Securities may reasonably request in connection with a pledge or transfer of the Securities.

(c) Certificates evidencing the Securities shall not contain any legend (including the legend set forth in Section 4.1(b) hereof): (i) while a registration statement covering the resale of such security is effective under the Securities Act, or (ii) following any sale of such Securities pursuant to Rule 144 or (iii) if such Securities are eligible for sale under Rule 144 or (iv) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission). The Company shall cause its counsel to issue a legal opinion to the Transfer Agent or the Purchaser promptly if required by the Transfer Agent to effect the removal of the legend hereunder, or if requested by a Purchaser, respectively. If there is an effective registration statement to cover the resale of the Securities, or if such Securities may be sold under Rule 144 or if such legend is not otherwise required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission) then such Securities shall be issued free of all legends. The Company agrees that following such time as such legend is no longer required under this Section 4.1(c), the Company will, no later than the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period (as defined below) following the delivery by a Purchaser to the Company or the Transfer Agent of a certificate representing Securities, as applicable, issued with a restrictive legend (such second (2^{nd}) Trading Day, the "Legend Removal Date"), deliver or cause to be delivered to such Purchaser a certificate representing such shares that is free from all restrictive and other legends. The Company may not make any notation on its records or give instructions to the Transfer Agent that enlarge the restrictions on transfer set forth in this Section 4. Certificates for Securities subject to legend removal hereunder shall be transmitted by the Transfer Agent to the Purchaser by crediting the account of the Purchaser's prime broker with the Depository Trust Company System as directed by such Purchaser. As used herein, "Standard Settlement Period" means the standard settlement period, expressed in a number of Trading Days, on the Company's primary Trading Market with respect to the Common Stock as in effect on the date of delivery of a certificate representing Securities issued with a restrictive legend.

(d) Each Purchaser, severally and not jointly with the other Purchasers, agrees with the Company that such Purchaser will sell any Securities pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if Securities are sold pursuant to a Registration Statement, they will be sold in compliance with the plan of distribution set forth therein, and acknowledges that the removal of the restrictive legend from certificates representing Securities as set forth in this Section 4.1 is predicated upon the Company's reliance upon this understanding.

4.2 Furnishing of Information. Until the time that no Purchaser is an "affiliate" (as defined under Rule 144) of the Company, the Company covenants to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the Exchange Act even if the Company is not then subject to the reporting requirements of the Exchange Act.

4.3 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities in a manner that would require the registration under the Securities Act of the sale of the Securities or that would be integrated with the offer or sale of the Securities for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

4.4 Use of Proceeds. The Company shall use the net proceeds from the sale of the Securities hereunder for working capital and general corporate purposes and shall not use such proceed: (a) for the satisfaction of any portion of the Company's debt (other than payment of trade payables in the ordinary course of the Company's business and prior practices), (b) for the redemption of any Common Stock or Common Stock Equivalents, (c) for the settlement of any outstanding litigation or (d) in violation of FCPA or OFAC regulations.

4.5 Certain Transactions and Confidentiality. Each Purchaser, severally and not jointly with the other Purchasers, covenants that neither it, nor any Affiliate acting on its behalf or pursuant to any understanding with it will execute any purchases or sales, including Short Sales, of any of the Company's securities during the period commencing with the execution of this Agreement and ending at such time that the transactions contemplated by this Agreement are first publicly announced. Each Purchaser, severally and not jointly with the other Purchasers, and the Company covenants that until such time as the transactions contemplated by this Agreement are publicly disclosed by the Company, it will maintain the confidentiality of the existence and terms of this transaction and the information included in the Transaction Documents.

4.6 Securities Laws Disclosure; Publicity. The Company shall file a Current Report on Form 8-K, including the Transaction Documents as exhibits thereto, with the Commission within the time required by the Exchange Act. From and after the issuance of such Current Report on Form 8-K, the Company represents to the Purchasers that it shall have publicly disclosed all material, non-public information delivered to any of the Purchasers by the Company or any of its Subsidiaries, or any of their respective officers, directors, employees or agents in connection with the transactions contemplated by the Transaction Documents. In addition, effective upon the filing of such Current Report on Form 8-K, the Company acknowledges and agrees that any and all confidentiality or similar obligations under any agreement, whether written or oral, between the Company, any of its Subsidiaries or any of their respective officers, directors, agents, employees or Affiliates on the one hand, and any of the Purchasers or any of their Affiliates on the other hand, shall terminate. The Company and each Purchaser shall consult with each other in issuing any press releases with respect to the transactions contemplated hereby, and neither the Company nor any Purchaser shall issue any such press release nor otherwise make any such public statement without the prior consent of the Company, with respect to any press release of any Purchaser, or without the prior consent of each Purchaser, with respect to any press release of the Company, which consent shall not unreasonably be withheld or delayed, except if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication. Notwithstanding the foregoing, the Company shall not publicly disclose the name of any Purchaser, or include the name of any Purchaser in any filing with the Commission or any regulatory agency or Trading Market, without the prior written consent of such Purchaser, except (a) as required by federal securities law in connection with the filing of final Transaction Documents with the Commission and (b) to the extent such disclosure is required by law or Trading Market regulations, in which case the Company shall provide the Purchasers with prior notice of such disclosure permitted under this clause (b).

4.7 Shareholder Rights Plan. No claim will be made or enforced by the Company or, with the consent of the Company, any other Person, that any Purchaser is an "Acquiring Person" under any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or similar anti-takeover plan or arrangement in effect or hereafter adopted by the Company, or that any Purchaser could be deemed to trigger the provisions of any such plan or arrangement, by virtue of receiving Securities under the Transaction Documents or under any other agreement between the Company and the Purchasers.

4.8 Listing of Common Stock. The Company hereby agrees to use reasonable best efforts to maintain the listing or quotation of the Common Stock on the Trading Market on which it is currently listed, and concurrently with the Closing, the Company shall apply to list or quote all of the Conversion Shares and/or Common Shares, as applicable, on such Trading Market and promptly secure the listing of all of the Conversion Shares and/or Common Shares, as applicable, on such Trading Market. The Company further agrees, if the Company applies to have the Common Stock traded on any other Trading Market, it will then include in such application all of the Conversion Shares and/or Common Shares, as applicable, and will take such other action as is necessary to cause all of the Conversion Shares and/or Common Shares, as applicable, to be listed or quoted on such other Trading Market as promptly as possible. The Company will then take all action reasonably necessary to continue the listing and trading of its Common Stock on a Trading Market and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Trading Market. The Company agrees to maintain the eligibility of the Common Stock for electronic transfer through the Depository Trust Company or another established clearing corporation, including, without limitation, by timely payment of fees to the Depository Trust Company or such other established clearing corporation in connection with such electronic transfer.

4.9 Non-Public Information. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, which shall be disclosed pursuant to Section 4.6, the Company covenants and agrees that neither it, nor any other Person acting on its behalf will provide any Purchaser or its agents or counsel with any information that constitutes, or the Company reasonably believes constitutes, material non-public information, unless prior thereto such Purchaser shall have consented to the receipt of such information and agreed with the Company to keep such information confidential. The Company understands and confirms that each Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company. To the extent that the Company delivers any material, non-public information to a Purchaser without such Purchaser's consent, the Company hereby covenants and agrees that such Purchaser shall not have any duty of confidentiality to the Company, any of its Subsidiaries, or any of their respective officers, directors, agents, employees or Affiliates, or a duty to the Company, any of its Subsidiaries or any of their respective officers, directors, agents, employees or Affiliates not to trade on the basis of, such material, non-public information, provided that the Purchaser shall remain subject to applicable law. To the extent that any notice provided pursuant to any Transaction Document constitutes, or contains, material, non-public information regarding the Company or any Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Company understands and confirms that each Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company.

4.10 Indemnification by Company. Subject to the provisions of this Section 4.10, the Company will indemnify and hold each Purchaser and its directors, officers, shareholders, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls such Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, agents, members, partners or employees (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a "Purchaser Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Purchaser Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the other Transaction Documents or (b) any action instituted against the Purchaser Parties in any capacity, or any of them or their respective Affiliates, by any stockholder of the Company who is not an Affiliate of such Purchaser Party, with respect to any of the transactions contemplated by the Transaction Documents (unless such action is solely based upon a material breach of such Purchaser Party's representations, warranties or covenants under the Transaction Documents or any agreements or understandings such Purchaser Party may have with any such stockholder or any violations by such Purchaser Party of state or federal securities laws or any conduct by such Purchaser Party which is finally judicially determined to constitute fraud, gross negligence, willful misconduct or malfeasance) or (c) in connection with any registration statement of the Company providing for the resale by the Purchasers of the Securities, the Company will indemnify each Purchaser Party, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, liabilities, costs (including, without limitation, reasonable attorneys' fees) and expenses, as incurred, arising out of or relating to (i) any untrue or alleged untrue statement of a material fact contained in such registration statement, any prospectus or any form of prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading, except to the extent, but only to the extent, that such untrue statements or omissions are based solely upon information regarding such Purchaser furnished in writing to the Company by such Purchaser expressly for use therein, or (ii) any violation by the Company of the Securities Act, the Exchange Act or any state securities law, or any rule or regulation thereunder in connection therewith. If any action shall be brought against any Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party. Any Purchaser Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the extent that (x) the employment thereof has been specifically authorized by the Company in writing, (y) the Company has failed after a reasonable period of time to assume such defense and to employ counsel or (z) in such action there is, in the reasonable opinion of counsel, a material conflict on any material issue between the position of the Company and the position of such Purchaser Party, in which case the Company shall be responsible for the reasonable fees and expenses of no more than one such separate counsel. The Company will not be liable to any Purchaser Party under this Agreement (1) for any settlement by a Purchaser Party effected without the Company's prior written consent, which shall not be unreasonably withheld or delayed; or (2) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Purchaser Party's breach of any of the representations, warranties, covenants or agreements made by such Purchaser Party in this Agreement or in the other Transaction Documents. The indemnification required by this Section 4.10 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or are incurred. The indemnity agreements contained herein shall be in addition to any cause of action or similar right of any Purchaser Party against the Company or others and any liabilities the Company may be subject to pursuant to law.

4.11 Reservation of Common Stock; Shareholder Approval. As of the date hereof, the Company has reserved and the Company shall continue to reserve and keep available at all times, free of preemptive rights, a sufficient number of shares of Common Stock for the purpose of enabling the Company to issue the Warrant Shares, the Conversion Shares and/or Common Shares, as applicable, pursuant to this Agreement. If any Shares are issued pursuant to the terms hereof, the Company shall hold a special meeting of stockholders (which may also be at the annual meeting of shareholders) at the earliest practical date after the date hereof, and in any event within 135 days following the date hereof ("Shareholder Approval Deadline"), for the purpose of obtaining Stockholder Approval, with the recommendation of the Company's Board of Directors that such proposal be approved, and the Company shall solicit proxies from its shareholders in connection therewith in the same manner as all other management proposals in such proxy statement and all management-appointed proxyholders shall vote their proxies in favor of such proposal. The Company shall use its best efforts to obtain such Stockholder Approval if applicable. If any Shares are issued pursuant to the terms hereof, if the Company does not obtain Stockholder Approval at the first meeting, the Company shall call a meeting every 90 days thereafter to seek Stockholder Approval until the earlier of the date Stockholder Approval is obtained or the Preferred Stock is no longer outstanding.

4.12 Form D; Blue Sky Filings. The Company agrees to timely file a Form D, if required by applicable law, with respect to the Securities as required under Regulation D and to provide a copy thereof, promptly upon request of any Purchaser. The Company shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Securities for sale to the Purchasers at the Closing under applicable securities or "Blue Sky" laws of the states of the United States and shall provide evidence of such actions promptly upon request of any Purchaser.

4.13 Registration Rights. On or prior to the Filing Date, the Company shall prepare and file with the Commission a Registration Statement for a resale offering to be made on a continuous basis. The Company shall use its commercially best efforts to cause the Registration Statement to be declared effective under the Securities Act as promptly as possible after the filing thereof (but in no event later than the 60th day following the filing of the registration statement) and shall use its commercially best efforts to keep such Registration Statement, with respect to each Purchaser, continuously effective under the Securities Act until the earlier to occur of (i) the date on which such Purchaser may sell the Securities then held in compliance with Rule 144, or (ii) all Securities covered by the Registration Statement have been sold by such Purchaser.

4.14 Provision by Purchasers of Certain Information in Connection with the Registration Statement. Each Purchaser agrees to furnish to the Company in writing (i) such information as the Company may reasonably request for use in connection with the Registration Statement within five (5) business days after receipt of a request therefor, and (ii) a completed Selling Stockholder Questionnaire in the form attached hereto as Annex A (the "Selling Stockholder Questionnaire"), concurrently with the Purchaser's subscription for the Securities. Each Purchaser as to which any Registration Statement is being effected agrees to furnish promptly to the Company all information required to be disclosed in order to make the information previously furnished to the Company by such Purchaser not materially misleading.

4.15 Equal Treatment of Purchasers. No consideration (including any modification of any Transaction Document) shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of the Transaction Documents unless the same consideration is also offered to all of the parties to the Transaction Documents. For clarification purposes, this provision constitutes a separate right granted to each Purchaser by the Company and negotiated separately by each Purchaser, and is intended for the Company to treat the Purchasers as a class and shall not in any way be construed as the Purchasers acting in concert or as a group with respect to the purchase, disposition or voting of Securities or otherwise.

4.16 Exercise Procedures. The form of Notice of Exercise included in the Warrant sets forth the totality of the procedures required of the Purchasers in order to exercise the Warrant.

ARTICLE V.
MISCELLANEOUS

5.1 Termination. This Agreement may be terminated by any Purchaser, as to such Purchaser's obligations hereunder only and without any effect whatsoever on the obligations between the Company and the other Purchasers, by written notice to the other parties, if the Closing has not been consummated on or before 5:00 p.m., New York time, on March 31, 2018, provided, however, that such termination will not affect the right of any party to sue for any breach by any other party (or parties).

5.2 Fees and Expenses. Except as expressly set forth in the Transaction Documents, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. The Company shall pay all Transfer Agent fees (including, without limitation, any fees required for same-day processing of any instruction letter delivered by the Company and any conversion or exercise notice delivered by a Purchaser), stamp taxes and other taxes and duties levied in connection with the delivery of any Securities to the Purchasers.

5.3 Entire Agreement. The Transaction Documents, together with the exhibits and schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

5.4 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number or email attachment as set forth on the signature pages attached hereto (or, with respect to an assignee or transferee of Securities as contemplated by Section 5.7, at the contact information of such Person provided to the Company in connection with such assignment or transfer) at or prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number or email attachment as set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second (2^{nd}) Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto. To the extent that any notice provided pursuant to any Transaction Document constitutes, or contains, material, non-public information regarding the Company or any Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K.

5.5 Amendments; Waivers. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company and the Purchasers which purchased more than 50.0% of the based on the initial Subscription Amounts hereunder or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought, provided that if any amendment, modification or waiver disproportionately and adversely impacts a Purchaser (or group of Purchasers), the consent of such disproportionately impacted Purchaser (or group of Purchasers) shall also be required. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right. Any proposed amendment or waiver that disproportionately, materially and adversely affects the rights and obligations of any Purchaser relative to the comparable rights and obligations of the other Purchasers shall require the prior written consent of such adversely affected Purchaser, Any amendment effected in accordance with accordance with this Section 5.5 shall be binding upon each Purchaser and holder of Securities and the Company.

5.6 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of each Purchaser (other than by merger). Any Purchaser may assign any or all of its rights under this Agreement to any Person to whom such Purchaser assigns or transfers any Securities, provided that such transferee agrees in writing, as a pre-condition to such assignment or transfer, to be bound, with respect to the transferred Securities, by the provisions of the Transaction Documents that apply to the "Purchasers."

5.8 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in Section 4.10 and this Section 5.8.

5.9 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware, without regard to the principles of conflicts of law thereof.

5.10 Arbitration of Claims. Any dispute, controversy or claim arising in relation to this this Agreement or any Transaction Document, including with regard to their validity, invalidity, breach, enforcement or termination, will be referred to a single arbitrator, who shall be appointed by the Head of the Israel Bar Association. The arbitrator will not be bound by rules of evidence or procedure and will give the reasons for his or her judgment in writing. Any such arbitration shall be conducted in Tel Aviv, Israel. The arbitrator's decision shall be final and enforceable in any court. This Section 5.10 shall constitute an arbitration agreement between the parties.

5.11 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

5.12 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.13 Rescission and Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) any of the other Transaction Documents, whenever any Purchaser exercises a right, election, demand or option under a Transaction Document and the Company does not timely perform its related obligations within the periods therein provided, then such Purchaser may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights.

5.14 Replacement of Securities. If any certificate or instrument evidencing any Securities is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction. The applicant for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs (including customary indemnity) associated with the issuance of such replacement Securities.

5.15 Independent Nature of Purchasers' Obligations and Rights. The obligations of each Purchaser under any Transaction Document are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance or non-performance of the obligations of any other Purchaser under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Purchaser pursuant hereto or thereto, shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Purchaser shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Purchaser to be joined as an additional party in any proceeding for such purpose. Each Purchaser has been represented by its own separate legal counsel in its review and negotiation of the Transaction Documents.

5.16 Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

5.17 Construction. The parties agree that each of them and/or their respective counsel have reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments thereto. In addition, each and every reference to share prices and shares of Common Stock in any Transaction Document shall be subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement.

5.18 **WAIVER OF JURY TRIAL. IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY, THE PARTIES EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVES FOREVER TRIAL BY JURY.**

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

DARIOHEALTH CORP.

By: _____
Name: Erez Raphael
Title: Chairman and CEO

Address for Notice:

9 Halamish Street
Caesarea Industrial Park
3088900, Israel
Fax Number: +(972)-(4) 770 4060

With a copy to (which shall not constitute notice):

ZAG/S&W LLP
1633 Broadway
New York, NY 10019
Fax Number: (212) 660-3001
Attention: Oded Har-Even, Esq.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGE FOR PURCHASER FOLLOWS]

PURCHASER SIGNATURE PAGES

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

Subscription Amount: $_____

U.S. Domestic Purchaser (please check): _____

Non-U.S. Purchaser (please check): _____

If Investor is an entity, sign here:

_____
(Name of entity)

By: _____

Name: _____

Title: _____

EIN/Social
Security Number: _____

If Investor is an individual, sign here:

Signature: _____

Print Name: _____

PLEASE COMPLETE FOLLOWING INFORMATION FOR NOTICES:

Email Address: _____

Facsimile Number: _____

Address for Notice to Investor:

Address for Delivery of Securities to Investor (if not same as address for notice):

Exhibit A

Certificate of Designation

See attached.

Exhibit B

Form of Warrant

NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS CONVERTIBLE HAS BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR THE COMPANY SHALL HAVE RECEIVED AN OPINION OF COUNSEL THAT REGISTRATION OF SUCH SECURITIES AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS SECURITY UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED.

Warrant No. _____ February [___], 2018

DARIOHEALTH CORP.
Common Stock Purchase Warrant

THIS CERTIFIES THAT, for value received, [_____] (the "Holder"), is entitled to subscribe for and purchase, at the Exercise Price (as defined below), from DarioHealth Corp., a Delaware corporation (the "Company"), shares of the Company's common stock, par value $0.0001 (the "Common Stock"), at any time from August [__], 2018 and prior to 5:00 p.m., New York time, on August [__], 2020 (the "Warrant Exercise Term").

This Warrant is issued in accordance with, and subject to, the terms and conditions described in the Securities Purchase Agreement, dated February [__], 2018, between the initial Holder and the Company (the "Purchase Agreement") entered into in connection with the private placement offering of securities of the Company (the "Offering") described in the Purchase Agreement.

All capitalized terms used but not defined herein shall have the meanings ascribed to them in the Purchase Agreement.

This Warrant is subject to the following terms and conditions:

1. Shares. The Holder has, subject to the terms set forth herein, the right to purchase up to an aggregate of [ ] shares of Common Stock (the "Warrant Shares") at a per share exercise price of $1.80, subject to adjustment as provided for herein (the "Exercise Price").

2. Exercise of Warrant.

(a) Exercise. This Warrant may be exercised by the Holder at any time during the Warrant Exercise Term, in whole or in part, by delivering the notice of exercise attached as Exhibit A hereto (the "Notice of Exercise"), duly executed by the Holder to the Company at its principal office, or at such other office as the Company may designate, accompanied by payment, by wire transfer of immediately available funds to the order of the Company to an account designated by the Company, of the amount obtained by multiplying the number of Warrant Shares designated in the Notice of Exercise by the Exercise Price (the "Purchase Price"). For purposes hereof, "Exercise Date" shall mean the date on which all deliveries required to be made to the Company upon exercise of this Warrant pursuant to this Section 2(a) shall have been made. The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder. No originals of the Notice of Exercise shall be required to be delivered, nor shall any medallion guarantee (or any other type of guarantee or notarization) of any Notice of Exercise shall be required.

(b) Issuance of Certificates. As soon as practicable after the exercise of this Warrant, in whole or in part, in accordance with Section 2(a) hereof (and in no event later than two (2) Trading Days following the delivery of the Notice of Exercise), the Company, at its expense, shall cause to be issued in the name of and delivered to the Holder: (i) a certificate or certificates for (or, if applicable, by delivery through the facilities of the Depository Trust Company in electronic form of) the number of fully paid and non-assessable Warrant Shares to which the Holder shall be entitled upon such exercise and, if applicable, (ii) a new warrant of like tenor to purchase all of the Warrant Shares that may be purchased pursuant to the portion, if any, of this Warrant not exercised by the Holder. The Holder shall for all purposes hereof be deemed to have become the Holder of record of such Warrant Shares on the date on which the Notice of Exercise and payment of the Purchase Price in accordance with Section 2(a) hereof were delivered and made, respectively, irrespective of the date of delivery of such certificate or certificates, except that if the date of such delivery, notice and payment is a date when the stock transfer books of the Company are closed, such person shall be deemed to have become the holder of record of such Warrant Shares at the close of business on the next succeeding date on which the stock transfer books are open.

(c) Taxes. The issuance of the Warrant Shares upon the exercise of this Warrant, and the delivery of certificates or other instruments representing such Warrant Shares, shall be made without charge to the Holder for any tax or other charge of whatever nature in respect of such issuance and the Company shall bear any such taxes in respect of such issuance.

(d) Cashless Exercise. If at the time of exercise hereof there is no effective registration statement registering, or the prospectus contained therein is not available for the issuance of the Warrant Shares to the Holder, then this Warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = as applicable: (i) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise if such Notice of Exercise is (1) both executed and delivered pursuant to Section 2(a) hereof on a day that is not a Trading Day or (2) both executed and delivered pursuant to Section 2(a) hereof on a Trading Day prior to the opening of "regular trading hours" (as defined in Rule 600(b)(64) of Regulation NMS promulgated under the federal securities laws) on such Trading Day, (ii) at the option of the Holder, either (y) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise or (z) the Bid Price of Common Stock on the principal Trading Market as reported by Bloomberg L.P. as of the time of the Holder's execution of the applicable Exercise Notice if such Notice of Exercise is executed during "regular trading hours" on a Trading Day and is delivered within two (2) hours thereafter pursuant to Section 2(a) hereof or (iii) the VWAP on the date of the applicable Notice of Exercise if the date of such Notice of Exercise is a Trading Day and such Notice of Exercise is both executed and delivered pursuant to Section 1(a) hereof after the close of "regular trading hours" on such Trading Day;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

If Warrant Shares are issued in such a cashless exercise, the parties acknowledge and agree that in accordance with Section 3(a)(9) of the Securities Act, the Warrant Shares shall take on the registered characteristics of the Warrants being exercised. The Company agrees not to take any position contrary to this Section 2(d).

"Bid Price" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the bid price of the Common Stock for the time in question (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Stock are then reported in the "Pink Sheets" published by OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holders of a majority in interest of the Warrants then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

"Trading Day" means a day on which the principal Trading Market is open for trading.

"Trading Market" means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange (or any successors to any of the foregoing).

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Stock are then reported in the "Pink Sheets" published by OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Company and reasonably acceptable to Holders holding Warrants to acquire a majority of the Warrant Shares issuable pursuant to the Warrants that were originally issued by the Company on the Issue Date, the fees and expenses of which shall be paid by the Company.

Without limiting the rights of a Holder to receive Warrant Shares on a "cashless exercise", in no event will the Company be required to net cash settle a Warrant exercise.

(e) Holder's Exercise Limitations. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates (as defined in Rule 405 under the Securities Act), and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates (such Persons, "Attribution Parties")), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates and Attribution Parties shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates or Attribution Parties and (ii) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any securities of the Company or its subsidiaries which would entitle the holder thereof to acquire at any time shares of Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, shares of Common Stock (collectively, "Common Stock Equivalents")) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its Affiliates or Attribution Parties. Except as set forth in the preceding sentence, for purposes of this Section 2(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(e) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(e), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as reflected in (A) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (B) a more recent public announcement by the Company or (C) a more recent written notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within two Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates or Attribution Parties since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be [4.99%/9.99%] of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Holder, upon notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 2(e), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant held by the Holder and the provisions of this Section 2(e) shall continue to apply. Any increase in the Beneficial Ownership Limitation will not be effective until the 61st day after such notice is delivered to the Company. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(e) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

3. Adjustment of Exercise Price.

(a) Fundamental Transaction. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of shares of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding shares of Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the shares of Common Stock or any compulsory stock exchange pursuant to which the shares of Common Stock are effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "Fundamental Transaction"), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder (without regard to any limitation in Section 2(e) on the exercise of this Warrant), shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(e) on the exercise of this Warrant). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of shares of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transactioncause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 3(e) pursuant to written agreements in customary form and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction). Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such

Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

(b) Adjustments for Split, Subdivision or Combination of Shares. If while this Warrant, or any portion hereof, remains outstanding and unexpired the Company shall subdivide (by any stock split, stock dividend, recapitalization, reorganization, reclassification or otherwise) the shares of Common Stock subject to acquisition hereunder, then, upon the effective date of such subdivision, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of shares of Common Stock subject to acquisition upon exercise of the Warrant will be proportionately increased. If the Company at any time combines (by reverse stock split, recapitalization, reorganization, reclassification or otherwise) the shares of Common Stock subject to acquisition hereunder, then, upon the effective date of such combination, the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of shares of Common Stock subject to acquisition upon exercise of the Warrant will be proportionately decreased.

(c) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 3(b) above, if at any time the Company grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the "Purchase Rights"), then, upon any exercise of this Warrant, the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

(d) Pro Rata Distributions. During such time as this Warrant is outstanding, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) other than a dividend or other distribution of the type described in Section 3(b) above (a "Distribution"), at any time after the issuance of this Warrant, then, upon any exercise of this Warrant, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution (provided, however, to the extent that the Holder's right to participate in any such Distribution would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Distribution to such extent (or in the beneficial ownership of any shares of Common Stock as a result of such Distribution to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

(e) Notice of Adjustments. Upon any adjustment of the Exercise Price and any increase or decrease in the number of Warrant Shares purchasable upon the exercise of this Warrant, then, and in each such case, the Company, within 15 days thereafter, shall give written notice thereof to the Holder at the address of such Holder as shown on the books of the Company, which notice shall state the Exercise Price as adjusted and, if applicable, the increased or decreased number of Warrant Shares purchasable upon the exercise of this Warrant, setting forth in reasonable detail the method of calculation of each.

4. Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in accordance with Section 5.4 of the Purchase Agreement.

5. Legends. Unless the Warrant Shares are registered for resale with the Commission, each certificate evidencing the Warrant Shares issued upon exercise of this Warrant shall be stamped or imprinted with a legend required pursuant to the Purchase Agreement.

6. Removal of Legend. Upon request of a holder of a certificate with the legends required by Section 5 hereof, the Company shall issue to such holder a new certificate therefor free of any transfer legend, if, with such request, the Company shall have received an opinion of counsel satisfactory to the Company in form and substance to the effect that any transfer by such holder of the Warrant Shares evidenced by such certificate will not violate the Securities Act or any applicable state securities law.

7. Fractional Shares. No fractional Warrant Shares will be issued in connection with any exercise hereunder. Instead, the Company shall round up, as nearly as practicable to the nearest whole Share, the number of Warrant Shares to be issued.

8. Rights of Stockholders. Except as expressly provided herein, the Holder, as such, shall not be entitled to vote or be deemed the holder of the Warrant Shares or any other securities of the Company that may at any time be issuable on the exercise hereof for any purpose, nor shall anything contained herein be construed to confer upon the Holder, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action (whether upon any recapitalization, issuance of stock, reclassification of stock, change of par value, consolidation, merger, conveyance, or otherwise) or to receive notice of meetings, or otherwise until this Warrant shall have been exercised and the Warrant Shares purchasable upon the exercise hereof shall have been issued, as provided herein.

9. Transferability.

(a) Transferability. This Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent and funds sufficient to pay any transfer taxes payable upon the making of such transfer. In connection with any transfer other than pursuant to an effective Registration Statement or Rule 144, to the Company or to an Affiliate of a Purchaser or in connection with a pledge as contemplated in Section 4.1(b) of the Purchase Agreement, the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of the Purchase Agreement and shall have the rights and obligations of a Purchaser under the Purchase Agreement. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company unless the Holder has assigned this Warrant in full, in which case, the Holder shall surrender this Warrant to the Company within three (3) Trading Days of the date the Holder delivers an assignment form to the Company assigning this Warrant in full. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

(b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 9(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the original issuance date of this Warrant and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

(c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

10. Miscellaneous.

(a) This Warrant and disputes arising hereunder shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to agreements made and to be performed wholly within such State, without regard to its conflict of law rules. Any action brought by either party against the other concerning the transaction contemplated by this Warrant shall be brought only in the state courts of Delaware or in the federal courts located in the state of Delaware. The parties to this Warrant hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens. The Company and Holder waive trial by jury.

(b) The headings in this Warrant are for purposes of reference only, and shall not limit or otherwise affect any of the terms hereof.

(c) The covenants of the respective parties contained herein shall survive the execution and delivery of this Warrant.

(d) The terms of this Warrant shall be binding upon and shall inure to the benefit of any successors or permitted assigns of the Company and of the Holder and of the Warrant Shares issued or issuable upon the exercise hereof.

(e) This Warrant and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subject hereof.

(f) The Company shall not, by amendment of its Certificate of Incorporation or Bylaws, or through any other means, directly or indirectly, avoid or seek to avoid the observance or performance of any of the terms of this Warrant and shall at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder contained herein against impairment.

(g) Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of any such loss, theft or destruction, upon delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company, or, in the case of any such mutilation, upon surrender and cancellation of such Warrant, the Company, at its expense, will execute and deliver to the Holder, in lieu thereof, a new Warrant of like date and tenor.

(h) This Warrant and any provision hereof may be amended, waived or terminated only by an instrument in writing signed by the Company and the Holder.

(i) The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant and the other Transaction Documents, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the right of the Holder to pursue actual damages for any failure by the Company to comply with the terms of this Warrant. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the holder of this Warrant shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer.

DARIOHEALTH CORP.

By: _____

Name:
Title:

Exhibit A

NOTICE OF EXERCISE

TO: DarioHealth Corp., attention: President

The undersigned hereby elects to purchase the below referenced shares (the "Warrant Shares") of Common Stock of DarioHealth Corp. (the "Company") pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price of such Warrant Shares in full. Payment of the purchase price is being made by:

_____ a cash exercise with respect to _____ Warrant Shares.

_____ if permitted, the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2(d), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 2(d).

Please issue a certificate or certificates representing said shares in the name of the undersigned or in such other name as is specified below:

1. Name: _____
2. Address: _____
3. DWAC Instructions (if applicable): _____

The undersigned hereby represents and warrants the following:

(a) It (i) has such knowledge and experience in financial and business affairs that he/she/it is capable of evaluating the merits and risks involved in purchasing the Warrant Shares, (ii) is able to bear the economic risks involved in purchasing the Warrant Shares, and (iii) is a "non-US person" as defined in Regulation S or an "accredited investor" as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) promulgated under the Securities Act of 1933, as amended;

(b) In making the decision to purchase the Warrant Shares, it has relied solely on independent investigations made by it and has had the opportunity to ask questions of, and receive answers from, the Company concerning the Warrant Shares, the financial condition, prospective business and operations of the Company and has otherwise had an opportunity to obtain any additional information, to the extent that the Company possess such information or could acquire it without unreasonable effort or expense;

(c) Its overall commitment to investments that are not readily marketable is not disproportionate to its net worth and income, and the purchase of the Warrant Shares will not cause such overall commitment to become disproportionate; it can afford to bear the loss of the purchase price of the Warrant Shares;

(d) It has no present need for liquidity in its investment in the Warrant Shares; and

(e) It acknowledges that the transaction contemplated in connection with the purchase of the Warrant Shares has not been reviewed or approved by the Securities and Exchange Commission or by any administrative agency charged with the administration of the securities laws of any state, and that no such agency has passed on or made any recommendation or endorsement of any of the securities contemplated hereby.

_____

(Signature and Date)

Exhibit C

Company Wiring Instructions

Bank Leumi USA - ABA# 026 00 2794
Account Name - DarioHealth Corp.
Account No - 22-660127-18
Swift LUMIUS3N
Bank address - 579 Fifth Avenue 5th Floor | New York

Exhibit D-1

ACCREDITED INVESTOR QUESTIONNAIRE

DarioHealth Corp.
9 Halamish Street
Caesarea Industrial Park, Israel 3088900

In connection with my purchase of a certain securities ("Securities") of DarioHealth Corp., a Delaware corporation (the "Company"), I, the undersigned subscriber ("I" or "Investor") understand that the offer and sale of the Securities to me is contingent upon my status as an "Accredited Investor" as defined pursuant to the terms of the Securities Act of 1933, as amended (the "Act"). In connection with the purchase, I have reviewed and completed the Accredited Investor Questionnaire set forth below:

As of the date hereof, the Investor is (**check all appropriate categories**):

☐ A natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his or her purchase exceeds $1,000,000. When determining net worth for purposes of Rules 215 and 501(a)(5) of the Act, the value of an individual's primary residence should be excluded. The value of the primary residence is determined by subtracting from the estimated fair market value of the property, the amount of debt secured by the property up to the estimated fair market value;

☐ A natural person who had individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year. Individual income is defined as adjusted gross income (as reported for federal income tax purposes), less any income earned by a spouse or from property owned by a spouse, increased by the following amounts (not attributable to a spouse): (i) the amount of any tax exempt interest income received, (ii) the amount of losses claimed a limited partner in a limited partnership, and (iii) any deductions claimed for depletion.

☐ A director or an executive officer of the Company.

☐ A bank as defined in Section 3(a)(2) of the Securities Act, or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity;

☐ A broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934;

☐ An insurance company as defined in Section 2(13) of the Securities Act;

☐ An investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act;

☐ A Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958;

☐ A plan established and maintained by a state, its political subdivisions, any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000;

☐ An employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000, or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

☐ A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

☐ An organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the Notes, with total assets in excess of $5,000,000;

☐ A trust with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the Notes, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) under the Securities Act.

☐ An entity in which all equity owners are accredited investors.

In addition, as of this date, I hereby represent and warrant to the Company and agree as follows:

1. I acknowledge that the Securities, and any other securities issuable upon exercise of any conversion or other rights that are a part of the Securities, have not been and will not be registered under the Act, and are being offered and sold under one or more of the exemptions from registration provided for in Sections 4(a)(2), as well as Regulation D promulgated under the Act. I further acknowledge that the Securities have not been qualified under any state securities laws in reliance on an exemption from qualification. I also acknowledge that the Company is relying on the truth and accuracy of my representations, warranties, and acknowledgments made in this Questionnaire in offering the Securities for sale without registering them under the Act or qualifying them under applicable state securities laws.

2. If a natural person, I am a citizen of the United States, and at least 18 years of age. I am a bona fide resident and domiciliary (not a temporary or transient resident) of the state indicated on the signature page hereto, and have no present intention of becoming a resident of any other state or jurisdiction.

3. I understand that (i) an investment in the Securities is suitable only for an investor who is able to bear the economic consequences of losing his or her entire investment; (ii) an investment in the Securities is speculative and involves a high degree of risk of loss; and (iii) there are substantial restrictions on the transferability of the Securities, and accordingly, it may not be possible to liquidate my investment in the Securities in the case of an emergency.

4. I have the financial ability (i) to bear the economic risk of my investment in the Securities; (ii) to hold the Securities for an indefinite period of time; and (iii) currently to afford a complete loss of my investment in the Securities without experiencing any undue financial difficulties, and my commitments to all speculative investments (including my investment in the Securities) are reasonable in relation to my net worth and annual income.

5. I acknowledge that this transaction has not been reviewed or scrutinized by the Securities and Exchange Commission or by any administrative agency charged with the administration of the securities laws of any state, and that no such agency has passed on or made any recommendation or endorsement of the Securities.

6. I am acquiring the Securities in good faith solely for my personal account (or a trust account if I am a trustee), for investment purposes only, and not with a view to any sale, distribution, subdivision, or fractionalization of the Securities, in whole or in part.

7. I acknowledge that the Securities, and any other securities issuable upon exercise of any conversion or other rights that are a part of the Securities, are and will be “restricted securities” within the meaning of Rule 144 promulgated under the Act; that the Securities are not and will not be registered under the Act and must be held indefinitely unless they are subsequently registered under the Act and qualified under any applicable state and foreign securities laws, or unless an exemption from registration or qualification is available. I understand the resale limitations imposed by the Act and am familiar with Rule 144, as presently in effect, and the conditions that must be met in order for that Rule to be available for the resale of “restricted securities”.

8. I agree not to sell, convey, transfer, pledge, hypothecate, or otherwise dispose of ("Transfer") any of the Securities unless (i) the Securities to be Transferred have been registered under the Act and qualified under any applicable state and foreign securities laws, or (ii) I have notified the Company of the proposed Transfer, and I have presented the Company with a written opinion of counsel satisfactory to the Company or a "no-action" or interpretive letter from the Securities and Exchange Commission stating that registration is not required under the circumstances of the proposed Transfer, and counsel to the Company shall have concurred with the opinion of my counsel or the applicability of the no-action or interpretive letter; provided that no Transfer of any of the Securities shall be permitted except in compliance with the terms and conditions of any agreement between me and the Company imposing restrictions on the Transfer of the Securities.

9. I agree to indemnify and hold harmless the Company, its officers and directors, and any of its affiliates, associates, agents, or employees from and against any and all loss, damage, or liability (including costs and attorneys' fees) due to or arising out of a breach of any representation, warranty, or acknowledgment made by me in this Questionnaire.

10. The representations, warranties, acknowledgments, and agreements set forth in this Questionnaire and the Securities Purchase Agreement shall survive both (i) my purchase and the Company's issuance and delivery of the Securities, and (ii) my death or disability, and will be binding upon my heirs, executors, administrators, successors, and assigns.

Investor is an entity, sign here:

_____
(Name of entity)

By: _____
Name:
Title:

Address: _____

_____

_____

_____

If Investor is an individual, sign here:

Signature: _____

Print Name: _____

Address: _____

_____

Exhibit D-2

NON U.S. PERSON REPRESENTATIONS

Each Purchaser indicating that it is not a U.S. person, severally and not jointly, further represents and warrants to the Company as follows:

1. At the time of (a) the offer by the Company and (b) the acceptance of the offer by such person or entity, of the Securities, such person or entity was outside the United States.

2. Such person or entity is acquiring the Securities for such Purchaser's own account, for investment and not for distribution or resale to others and is not purchasing the Securities for the account or benefit of any U.S. person, or with a view towards distribution to any U.S. person, in violation of the registration requirements of the Securities Act.

3. Such person or entity will make all subsequent offers and sales of the Securities either (x) outside of the United States in compliance with Regulation S; (y) pursuant to a registration under the Securities Act; or (z) pursuant to an available exemption from registration under the Securities Act. Specifically, such person or entity will not resell the Securities to any U.S. person or within the United States prior to the expiration of a period commencing on the Closing Date and ending on the date that is one year thereafter (the "Distribution Compliance Period"), except pursuant to registration under the Securities Act or an exemption from registration under the Securities Act.

4. Such person or entity has no present plan or intention to sell the Securities in the United States or to a U.S. person at any predetermined time, has made no predetermined arrangements to sell the Securities and is not acting as a distributor of such securities.

5. Neither such person or entity, its affiliates nor any person acting on behalf of such person or entity, has entered into, has the intention of entering into, or will enter into any put option, short position or other similar instrument or position in the U.S. with respect to the Securities at any time after the Closing Date through the Distribution Compliance Period except in compliance with the Securities Act.

6. Such person or entity consents to the placement of a legend on any certificate or other document evidencing the Securities substantially in the form set forth in Section 4.1.

7. Such person or entity is not acquiring the Securities in a transaction (or an element of a series of transactions) that is part of any plan or scheme to evade the registration provisions of the Securities Act.

8. Such person or entity has sufficient knowledge and experience in finance, securities, investments and other business matters to be able to protect such person's or entity's interests in connection with the transactions contemplated by this Agreement.

9. Such person or entity has consulted, to the extent that it has deemed necessary, with its tax, legal, accounting and financial advisors concerning its investment in the Securities.

10. Such person or entity understands the various risks of an investment in the Securities and can afford to bear such risks for an indefinite period of time, including, without limitation, the risk of losing its entire investment in the Securities.

11. Such person or entity has had access to the Company's publicly filed reports with the Commission and has been furnished during the course of the transactions contemplated by this Agreement with all other public information regarding the Company that such person or entity has requested and all such public information is sufficient for such person or entity to evaluate the risks of investing in the Securities.

12. Such person or entity has been afforded the opportunity to ask questions of and receive answers concerning the Company and the terms and conditions of the issuance of the Securities.

13. Such person or entity is not relying on any representations and warranties concerning the Company made by the Company or any officer, employee or agent of the Company, other than those contained in this Agreement.

14. Such person or entity will not sell or otherwise transfer the Securities unless either (A) the transfer of such securities is registered under the Securities Act or (B) an exemption from registration of such securities is available.

15. Such person or entity represents that the address furnished on its signature page to this Agreement is the principal residence if he is an individual or its principal business address if it is a corporation or other entity.

16. Such person or entity understands and acknowledges that the Securities have not been recommended by any federal or state securities commission or regulatory authority, that the foregoing authorities have not confirmed the accuracy or determined the adequacy of any information concerning the Company that has been supplied to such person or entity and that any representation to the contrary is a criminal offense.

Annex A

DARIOHEALTH CORP.

Selling Stockholder Notice and Questionnaire

The undersigned beneficial owner of common stock (the "Registrable Securities") of DarioHealth Corp., a Delaware corporation (the "Company"), understands that the Company has filed or intends to file with the Securities and Exchange Commission (the "Commission") a registration statement (the "Registration Statement") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), of the Shares, in accordance with the terms of the Securities Purchase Agreement (the "Securities Rights Agreement") to which this document is annexed. A copy of the Securities Purchase Agreement is available from the Company upon request at the address set forth below. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Securities Purchase Agreement.

Certain legal consequences arise from being named as a selling stockholder in the Registration Statement and the related prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling stockholder in the Registration Statement and the related prospectus.

NOTICE

The undersigned beneficial owner (the "Selling Stockholder") of Registrable Securities hereby elects to include the Registrable Securities owned by it in the Registration Statement.

The undersigned hereby provides the following information to the Company and represents and warrants that such information is accurate:

QUESTIONNAIRE

1. Name.

(a) Full Legal Name of Selling Stockholder

_____

(b) Full Legal Name of Registered Holder (if not the same as (a) above) through which Registrable Securities are held:

_____

(c) Full Legal Name of Natural Control Person (which means a natural person who directly or indirectly alone or with others has power to vote or dispose of the securities covered by this Questionnaire):

_____

2. Address for Notices to Selling Stockholder:

_____

_____

_____

Telephone: _____
Fax: _____
Contact Person: _____

_____

3. Broker-Dealer Status:

(a) Are you a broker-dealer?

Yes ☐ No ☐

(b) If "yes" to Section 3(a), did you receive your Registrable Securities as compensation for investment banking services to the Company?

Yes ☐ No ☐

Note: If "no" to Section 3(b), the Commission's staff has indicated that you should be identified as an underwriter in the Registration Statement.

(c) Are you an affiliate of a broker-dealer?

Yes ☐ No ☐

(d) If you are an affiliate of a broker-dealer, do you certify that you purchased the Registrable Securities in the ordinary course of business, and at the time of the purchase of the Registrable Securities to be resold, you had no agreements or understandings, directly or indirectly, with any person to distribute the Registrable Securities?

Yes ☐ No ☐

Note: If "no" to Section 3(d), the Commission's staff has indicated that you should be identified as an underwriter in the Registration Statement.

4. Beneficial Ownership of Securities of the Company Owned by the Selling Stockholder.

Except as set forth below in this Item 4, the undersigned is not the beneficial or registered owner of any securities of the Company other than the securities issuable pursuant to the Purchase Agreement.

(a) Type and Amount of other securities beneficially owned by the Selling Stockholder:

_____

_____

5. Relationships with the Company:

Except as set forth below, neither the undersigned nor any of its affiliates, officers, directors or principal equity holders (owners of 5% of more of the equity securities of the undersigned) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.

State any exceptions here:

_____

_____

The undersigned agrees to promptly notify the Company of any material inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while the Registration Statement remains effective; provided, that the undersigned shall not be required to notify the Company of any changes to the number of securities held or owned by the undersigned or its affiliates.

_____

By signing below, the undersigned consents to the disclosure of the information contained herein in its answers to Items 1 through 5 and the inclusion of such information in the Registration Statement and the related prospectus and any amendments or supplements thereto. The undersigned understands that such information will be relied upon by the Company in connection with the preparation or amendment of the Registration Statement and the related prospectus and any amendments or supplements thereto.

IN WITNESS WHEREOF the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Date: _____ Beneficial Owner: _____

By: _____
Name:
Title:

PLEASE FAX A COPY (OR EMAIL A .PDF COPY) OF THE COMPLETED AND EXECUTED NOTICE AND QUESTIONNAIRE TO:

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (File No. 333-211417, 333-215829, 333-218208 and 333-221985) and the Registration Statements on Form S-3 (File No. 333-211396, 333-212644, 333-214849, 333-216607 and 333-221025) of DarioHealth Corp. ("the Company"), of our report dated March 19, 2018 with respect to the consolidated financial statements of the Company and its subsidiaries included in this Annual Report on Form 10-K for the year ended December 31, 2017.

Tel-Aviv, Israel
March 19, 2018

/s/ Kost Forer Gabbay & Kasierer
A Member of Ernst & Young Global

Exhibit 31.1

CERTIFICATION
OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) AND 15D-14(A)
UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Erez Raphael, certify that:

1. I have reviewed this Annual Report on Form 10-K of DarioHealth Corp. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures; and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 19, 2018

/s/ Erez Raphael
Erez Raphael
President, Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION
OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) AND 15D-14(A)
UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Zvi Ben David, certify that:

1. I have reviewed this Annual Report on Form 10-K of DarioHealth Corp. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures; and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 19, 2018

/s/ Zvi Ben David
Zvi Ben David
Chief Financial Officer, Secretary and Treasurer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION
OF PRINCIPAL EXECUTIVE OFFICER AND
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U. S. C. SECTION 1350,

In connection with the Annual Report of DarioHealth Corp. (the "Company") on Form 10-K for the period ended December 31, 2017 (the "Report"), I, Erez Raphael, Chief Executive Officer of the Company, and I, Zvi Ben David, Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 19, 2018

/s/ Erez Raphael
Erez Raphael
President, Chief Executive Officer
(Principal Executive Officer)

Date: March 19, 2018

/s/ Zvi Ben David
Zvi Ben David
Chief Financial Officer, Secretary and Treasurer
(Principal Financial Officer)