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

Form 10-K

(Mark One)

[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the fiscal year ended December 31, 2016

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from _____ to _____

Commission file number: 000-19871

MICROBOT MEDICAL INC.

(Exact name of registrant as specified in its charter)

Delaware	**94-3078125**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*

5 Hamada Street
Yokneam 2069204 Israel
(Address including zip code of registrant's Principal Executive Offices)

(908) 938-5561
(Registrant's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, Par value $0.01	**NASDAQ Capital Market**

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

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

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 [X]

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 [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the 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. [ ]

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

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if smaller reporting company)	Smaller reporting company [X]

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $43,048,260 at June 30, 2016

Common stock outstanding as of March 16, 2017: 27,251,333 shares

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. Forward-looking statements are projections in respect of future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "intends", "expects", "will", "plans", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks listed under the section entitled "Risk Factors" commencing on page 12 of this report, which may cause our or our industry's actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements.

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NOTE REGARDING REFERENCES TO OUR COMPANY

Throughout this Form 10-K, the words "we," "us," "our," the "Company" and "Microbot" refer to Microbot Medical Inc., including our directly and indirectly wholly-owned subsidiaries and, unless the context otherwise requires, the historical business, financial statements and operations of Microbot are of Microbot Medical Ltd., an Israeli corporation ("Microbot Israel") which became a wholly-owned subsidiary of the Company on November 28, 2016. "StemCells" or "StemCells, Inc." refers to the Company prior to its merger transaction with Microbot Israel.

PART I

Item 1. Description of Business.

The Company

We are a pre-clinical medical device company specializing in the research, design and development of next generation micro-robotics assisted medical technologies targeting the minimally invasive surgery space. The Company is primarily focused on leveraging its micro-robotic technologies with the goal of improving surgical outcomes for patients.

Microbot is currently developing its first two product candidates: the Self Cleaning Shunt, or SCS, for the treatment of hydrocephalus and Normal Pressure Hydrocephalus, or NPH; and TipCAT, a self-propelling, semi-disposable endoscope that is being developed initially for use in colonoscopy procedures. Microbot's product candidates are being designed to bring greater functionality to conventional medical devices and to reduce the known risks associated with such devices. Microbot is currently aiming to complete pre-clinical studies required for regulatory submission for both product candidates within the next 24 months.

Microbot currently holds an intellectual property portfolio that comprises nine patent families, which include nine patents granted in the United States, twelve patents granted outside the United States, and fifteen patent applications pending worldwide. We have an exclusive license to key components of our technology.

Our Company was incorporated on August 2, 1988 in the State of Delaware under the name Cellular Transplants, Inc. The original Certificate of Incorporation was restated on February 14, 1992 to change the name of the Company to CytoTherapeutics, Inc. On May 24, 2000, the Certificate of Incorporation as restated was further amended to change the name of the Company to StemCells, Inc. On November 28, 2016, C&RD Israel Ltd. ("Merger Sub"), a wholly-owned subsidiary of the Company, completed its merger with and into Microbot Medical Ltd. ("Microbot Israel"), with Microbot Israel surviving as a wholly-owned subsidiary of the Company (the "Merger"). On November 28, 2016, in connection with the Merger, the Company changed its name from "StemCells, Inc." to Microbot Medical Inc., and each outstanding share of Microbot Israel capital stock was converted into the right to receive shares of our common stock. In addition, all outstanding options to purchase the ordinary shares of Microbot Israel were assumed by the Company and converted into options to purchase shares of the Common Stock. On November 29, 2016, the stock of the Company began trading on the Nasdaq Capital Market under the symbol "MBOT". Prior to the Merger, the Company was a biopharmaceutical company that operated in one segment, the research, development, and commercialization of stem cell therapeutics and related technologies. Substantially all of the material assets relating to the stem cell business were sold on November 29, 2016.

Industry Overview

Shunt Systems

Hydrocephalus is a medical condition in which there is an abnormal accumulation of cerebrospinal fluid, or CSF, in the brain that can cause increased intracranial pressure. It is estimated that one in every 500 babies are born with hydrocephalus, and over 1,000,000 people in the United States currently live with hydrocephalus.

Symptoms of hydrocephalus vary with age, disease progression and individual tolerance to the condition, but they can include convulsion, tunnel vision, mental disability or dementia-like symptoms and even death. Normal Pressure Hypocephalus ("NPH") is a type of hydrocephalus that usually occurs in older adults. NPH is generally treated as distinct from other types of hydrocephalus because it develops slowly over time. In NPH, the drainage of CSF is blocked gradually and the excess fluid builds up slowly. This slow accumulation means that the fluid pressure may not be as high as in other types of hydrocephalus. It is estimated that more than 700,000 Americans have NPH, but less than 20% receive an appropriate diagnosis.

Hydrocephalus is most often treated by the surgical insertion of a shunt system. The shunt system diverts the flow of CSF from the brain's ventricles (or the lumbar subarachnoid space) to another part of the body where the fluid can be more readily absorbed. Hydrocephalus shunt designs have changed little since their introduction in the 1950s. A shunt system typically consists of three parts: the distal tubing or shunt (a flexible and sturdy plastic tube), the ventricular catheter (the proximal catheter), and a valve. The end of the shunt system with the proximal catheter is placed in the ventricles (within the CSF) and the distal catheter is placed in the site of the body where the CSF can be drained. A valve is located along the shunt to maintain and regulate the rate of CSF flow. Current systems can be created from separate components or bought as complete units.

The treatment of hydrocephalus with existing shunt systems often includes complications as well. For example, approximately 50% of shunts used in the pediatric population fail within two years of placement and repeated neurosurgical operations are often required. Ventricular catheter blockage, or occlusions, is by far the most frequent event that results in shunt failure. Shunt occlusion occurs when there is a partial or complete blockage of the shunt that causes it to function intermittently or not at all. Such a shunt blockage can be caused by the accumulation of blood cells, tissue, or bacteria in any part of the shunt system. In the event of shunt occlusion, CSF begins to accumulate in the brain or lumbar region again and the symptoms of untreated hydrocephalus can reappear until a shunt replacement surgery is performed.

Although several companies are active in the field of hydrocephalus treatment and the manufacturing of shunt systems and shunt components, Microbot believes that the majority of those companies are focusing on the development of valves. The development of a "smart shunt" – a shunt that could provide data to the physician on patient conditions and shunt function with sensor based controls, or correct the high failure rate of existing shunt systems – is for the most part at an academic and conceptual level only. Reports of smart shunt technologies are typically focused on a subset of components with remaining factors left unspecified, such as hardware, control algorithms or power management. Microbot does not believe that a smart shunt that can prevent functional failures has been developed to date. Because of the limited innovation in this area, Microbot believes an opportunity exists to provide patients suffering from hydrocephalus or NPH with a more effective instrument for treating their condition.

Endoscopic Equipment

Endoscopes are medical devices used to look inside a body cavity or organ with minimally invasive surgery. The North American flexible endoscopes market was valued at $1.27 billion in 2013, and is expected to reach $1.91 billion by 2018, at a CAGR of 8.5% during the period 2013 to 2018.

Colonoscopy is a procedure that allows a physician to examine the colon using an endoscope. It is a commonly performed procedure for the diagnosis and treatment of a range of conditions, including for the screening and surveillance of colorectal neoplasia, or colorectal cancer. Annually, between 15 and 20 million endoscopy procedures are conducted in the United States with reusable endoscope devices to screen various sections of a patient's gastrointestinal, or GI, tract. However, according to data from the American Cancer Society, it is estimated that over 50,000 Americans will die from colorectal cancer and approximately 95,000 new cases of colon cancer will be diagnosed in 2016. It is the third leading cause of cancer deaths in spite of being highly preventable with early identification and removal of colorectal adenomas, or polyps. Colonoscopy with removal of colorectal polyps has been shown to be the most effective way of preventing colorectal cancer. And colonoscopy is generally considered the gold standard for the detection and treatment of adenomas. However, using current colonoscopic technology, approximately 30% of polyps are missed. In addition, the technique remains underutilized – less than 50% of eligible Americans, based on guidelines established by organizations including the American Cancer Society, United States Preventive Services Task Force, and U.S. Multi-Society Task Force on Colorectal Cancer, have undergone screening, with more than 45% of colon cancers being diagnosed at a time when the cancer has become incurable. This reluctance can be linked to patients' general discomfort associated with the colonoscopy screening procedure, due to the use of mechanical force to insert the endoscope into the colon. The procedure is widely perceived to be uncomfortable, and it also can sometimes damage or perforate the bowel wall.

Colonoscopy techniques that improve the Adenoma Detection Rate, or ADR, and reduce patient discomfort could optimize the potential of colonoscopy for the prevention of colorectal cancer. Microbot believes that it has the potential to develop a robotic endoscope product that addresses this issue of patient discomfort, which it believes will improve patients' willingness to get this important screening test – with the additional benefit of providing a new tool to health care practitioners for use in the identification and treatment of colorectal polyps.

Microbot's Product Pipeline

Self-Cleaning Shunt (SCS)

The Self-Cleaning Shunt, or SCS, device is designed to act as the ventricular catheter portion of a CSF shunt system that is used to relieve hydrocephalus and NPH. It is designed to work as an alternative to any ventricular catheter options currently on the market and to connect to all existing shunt system valves currently on the market; therefore, the successful commercialization of the SCS is not dependent on any single shunt system. Initially, Microbot expects the SCS device to be an aftermarket purchase that would be deployed to modify existing products by the end user. Microbot believes that the use of its SCS device will be able to reduce, and potentially eliminate, shunt occlusions, and by doing so Microbot believes its SCS has the potential to become the gold-standard ventricular shunt in the treatment of Hydrocephalus and NPH.

The SCS device embeds an internal robotic cleaning mechanism in the lumen, or inside space, of the ventricular catheter which prevents cell accumulation and tissue ingrowth into the catheter. The SCS device consists of a silicone tube with a perforated titanium tip, which connects to a standard shunt valve at its distal end. The internal cleaning mechanism is embedded in the lumen of the titanium tip. Once activated, the cleaning mechanism keeps tissue from entering the catheter perforations while maintaining the CSF flow in the ventricular catheter.

The internal cleaning mechanism of the SCS device is activated by means of an induced magnetic field, which is currently designed to be externally generated by the patient through a user-friendly headset that transmits the magnetic field at a pre-determined frequency and operating sequence protocol. The magnetic field that is created by the headset is then captured by a flexible coil and circuit board that is placed just under the patient's scalp in the location where the valve is located. The circuit board assembly converts the magnetic field into the power necessary to activate the cleaning mechanism within the proximal part of the ventricular catheter.

Microbot has completed the development of an SCS prototype and is currently completing the safety testing, general proof of concept testing and performance testing for the device, which Microbot began in mid-2013. Microbot had a pre-submission meeting with the FDA in mid-2014. On January 27, 2017, Microbot entered into a research agreement with The Washington University in St. Louis to develop the protocol for and to execute the necessary animal study to determine the effectiveness of the Microbot's SCS prototype. The initial research is expected to be completed within 6 months, with a comprehensive study to follow and be completed in 2018. Upon the completion of animal studies, Microbot may conduct clinical trials if they are requested by the FDA or if Microbot decides that the data from such trials would improve the marketability of the product candidate. Microbot believes that the study results of its first generation SCS device should be submitted to the FDA by late 2018. The proposed indication for use of the SCS device would be for the treatment of hydrocephalus as a component of a shunt system when draining or shunting of CSF is indicated.

Additionally, Carolyn Harris, PhD at Wayne State University (WSU) in Detroit, will run an in vitro study of our SCS device. The main objective of this study is to test and finalize the design of Microbot's SCS, using Dr. Harris' bio-reactor system that mimics human brain tissue three-dimensionally.

Microbot may also conduct clinical trials for the SCS in other countries where such trials are necessary for Microbot to sell its SCS device in such country's market, although it has no current plans to do so.

TipCAT

The TipCAT is a semi-disposable, flexible, self-propelled endoscope. A mechanism comprising a series of interconnected balloons at the device's tip provides the TipCAT with its forward locomotion capability. The device has the capability to self-propel within natural tubular lumens such as the colon, blood vessels, and the urinary tract. The TipCAT is designed to be fully-equipped with a contemporary endoscope, including a high-quality camera, steering capability while maintaining a standard working channel for treatments. The TipCAT thus offers functionality and visualization features equivalent to modern endoscopes, along with unique advantages associated with its physiologically adapted self-propelling mechanism, flexibility, and design.

The TipCAT consists of two parts:

- A disposable self-propulsion module, which is a series of interconnected, sequentially inflatable balloons constructed on an inner tube (i.e., the working channel); and

- A re-usable module isolated from contact with the tissue/body fluids, containing a camera, LED lighting and a steering system.

In the self-propulsion module, the air to inflate the balloons is supplied from a single channel. The sequential inflating and deflating of the balloons creates an inchworm-like forward motion. Therefore, unlike standard endoscopes, the TipCAT does not need to be mechanically forced into the patient's lumen using external pressure; rather, it will gently advance itself through the organ's anatomy. As a result, the TipCAT is designed to be able to reach every part of the lumen under examination regardless of the topography, be less operator dependent, and greatly reduce the likelihood of damage to lumen structure.

Furthermore, Microbot believes that use of the TipCAT will improve ADR by straightening the intestinal topography, smoothing colon topography and improving tissue visualization. In addition, by incorporating the TipCAT in therapeutic procedures, Microbot believes that the inflated balloons will provide the additional benefits of assisting the physician in centralizing endoscope optics and allowing for the colonoscope to be secured in each treatment position throughout the procedure, resulting in more efficient and effective procedures.

The TipCAT is also designed such that only disposable parts are in direct contact with the lumen tissue, which should eliminate the risk of cross contamination between patients and the need for post-use reprocessing. Reducing dependence on reprocessing procedures is important from a regulatory perspective because safety issues related to the reprocessing of reusable medical devices are a growing concern for regulatory authorities.

A TipCAT prototype was shown to self-propel and self-navigate in curved plastic pipes and curved ex-vivo colon. In addition, in its first feasibility study, the prototype device was tested in a live animal experiment and successfully self-propelled through segments of the animal's colon, with no post-procedural damage. All tests were conducted at AMIT (Alfred Mann Institute of Technology at the Technion), prior to the licensing of TipCAT by Microbot. Microbot is currently reviewing the design and general proof of concept of the TipCAT and working closely with experts in the field to define the optimal design. Microbot expects animal studies for this device to begin in late 2017. Upon the completion of animal studies, Microbot may conduct clinical trials if they are requested by the FDA or if Microbot decides that the data from such trials would improve the marketability of the product candidate. Regulatory approval or clearance for marketing the TipCAT colonoscope in the United States is targeted to occur soon after the applicable animal or clinical trials are completed, depending on when the applicable premarket submission is finalized and filed with FDA, and Microbot's ability to raise money and conduct the necessary trials for approval.

Microbot also plans to further develop the TipCAT for application for other diagnostic and therapeutic endoscopic procedures outside of colonoscopy, such as Chronic Total Occlusion, or CTO, urethroscopy and catheterization.

Microbot may conduct clinical trials for the TipCAT in other countries where such trials are necessary for Microbot to sell its TipCAT device in such country's market, although it has no current plans to do so.

Strategy

Microbot's goal is to generate sales of its products, once they have received regulatory approval, by establishing SCS and TipCAT devices as the standard-of-care in the eyes of doctors, surgeons, patients and medical facilities, as well as getting the support of payors and insurance companies. Microbot believes that it can achieve this objective by working with hospitals to demonstrate the key benefits of its products. Microbot's strategy includes the following key elements:

- **Continue to refine existing product candidates and develop additional micro-robotic solutions**. As Microbot prepares to bring its initial product candidates through pre-clinical and clinical trials, if necessary, and eventually to market, it continues to focus on improving its product candidates to respond to clinical data and patient and physician feedback. Microbot also expects to continue to innovate in the micro-robotics field by continuing to find ways of using its technology to solve unmet needs, with the overarching goal of providing a safer, more effective and more efficient surgical environment for patients and physicians.

- **Establish and leverage relationships with key institutions and leading clinicians**. Microbot intends to develop relationships with a relatively small number of hospitals and clinics through its clinical stage. Microbot's objective will be to maintain clinical focus with such hospitals and clinics so as to establish the SCS and TipCAT as the standard of care in such institutions for their respective procedures. Microbot also expects to identify key clinicians in the hydrocephalus and colonoscopy specialties with the expectation that such clinical focus will accelerate the adoption of its candidate products.

- **Continuously invest in research and development**. Microbot's most significant expense has historically been research and development, and Microbot expects that this will continue in the foreseeable future, including expenses it expects to incur to improve on its prototype products in order to respond to clinical data, to develop additional applications using its technologies and to develop future product candidates.

- **Explore partnerships for the introduction of Microbot's products**. Microbot intends to focus its marketing and sales efforts initially on pursuing collaborations with global medical device companies that have established sales and distribution networks. Microbot will seek to enter collaborations and partnerships with strategic players that offer synergies with Microbot's product candidates and expertise.

- **Seek additional IP and technologies to complement and strengthen Microbot's current IP portfolio** . Microbot intends to continue exploring new technologies, IP and know-how to add to its current portfolio and to allow Microbot to enter new spaces and strengthen its overall product portfolio.

SCS Opportunities

The SCS is designed to prevent shunt occlusions in hydrocephalus and NPH patients who have undergone or are undergoing the surgical insertion of a shunt system. For purposes of its marketing strategy, Microbot has split the market for shunt systems into two sub-markets:

- Primary shunt placement; and

- Shunt replacement.

Microbot's SCS device is universal (meaning that it is designed to be attachable to any valve on the market); therefore, Microbot's initial go-to-market strategy is the development of strategic partnerships with leading global medical device companies with ready sales and distribution channels. Outside of a strategic partnership, it is most likely that Microbot's SCS product will be initially used in shunt replacement surgeries to replace occluded ventricular catheters. Accordingly, Microbot intends to establish key hospital and clinic relationships that will allow it to diffuse the technology among experts and other stakeholders. Microbot is also planning to apply for the SCS device to be covered under the current reimbursement codes in the United States for use in hydrocephalus and NPH shunt procedures.

TipCAT Opportunities

Microbot expects that its initial go-to-market strategy for the TipCAT will be to establish key hospital and clinic relationships in the field of colonoscopy that will allow Microbot to introduce and then diffuse the technology among colonoscopy experts and other stakeholders. Generally, Microbot expects the hospitals and clinics selected for the TipCAT clinical trials to also start using the product commercially, which will help to promote and support market uptake of the TipCAT product. Because Microbot expects the use of the TipCAT to increase the number of colonoscopy procedures that can be performed at any such facility, Microbot will seek to promote the technology among the doctors and experts involved in the distribution and buying groups within such selected partner hospitals.

Competition

SCS Competitive Landscape

Several academic research groups, such as at the New Jersey Institute of Technology, are currently researching sensing and obstruction-resistant catheter designs, and the Smart Sensors and Integrated Microsystems (SSIM) Program at Wayne State University has publicized that it is engaging in smart shunt development activity. However, based on its knowledge of the patented technologies, Microbot believes that these technologies are still early in the research and development cycle. The SCS also faces non-direct competition from Aqueduct Neurosciences, Inc., which is developing a non-shunt, electro-mechanical technology platform to control the draining of cerebrospinal fluid.

Microbot does not expect its SCS device to directly compete against shunt systems currently available in the market. The SCS device is designed to replace a component of existing shunt systems and is expected to be an aftermarket purchase that would be used to modify existing products by the end user. However, there can be no assurance that Microbot's product candidate will be accepted by the shunt market as an alternative component.

TipCAT Competitive Landscape

The market for endoscopy products is highly competitive with several players operating both at a global and regional level. The leading players in the colonoscopy space are Pentax, Fuji and Olympus, which dominate the U.S. market for reusable colonoscopes. However, Microbot believes that the most relevant competitors to TipCAT are smaller companies such as GI View and SMART Medical Systems, which produce disposable, self-propelled colonoscopes.

GI View produces a colonoscope with 360° omni-directional visualization and offers self-propelled intubation created using balloons and low pressure CO_2 gas. In addition, the GI View product is single use and disposable.

SMART Medical Systems' product, which, according to publicly available information is being commercialized by Pentax, is introduced by a physician through a standard colonoscope's tool channel and uses its balloon technology to anchor the bowel, which enables the colonoscope to be maneuvered beyond challenging lumen sections.

Microbot believes the TipCAT can successfully compete against its relevant competitors in that it offers all of the following attributes:

- the ability to have varied dimensions during insertion and any subsequent point of a procedure, so as to accommodate the particular diameters of the organ at any moment, allows for the straightening of an organ's topography and improved visualization;
- disposability, which protects against cross-contamination;
- a working channel for therapeutic interventions (and additional visualization capabilities);
- lower cost; and
- a self-propelling mechanism, allowing for passage through challenging anatomical structures while eliminating tissue trauma.

Some of Microbot's competitors currently have significantly greater resources than Microbot does; have established relationships with healthcare professionals, customers and third-party payors; and have long-term contracts with group purchasing organizations in the United States. In addition, many of Microbot's competitors have established distributor networks, greater resources for product development, sales and marketing, additional lines of products and the ability to offer financial incentives such as rebates, bundled products or discounts on other product lines that Microbot cannot provide.

Microbot's products could also be rendered obsolete or uneconomical by technological advances developed in the future by existing or new competitors.

Intellectual Property

General

Microbot is currently developing its first two product candidates, the SCS and TipCAT based on technological platforms licensed from The Technion Research and Development Foundation Ltd., or TRDF, as further discussed below, and Microbot plans to develop other micro-robotic solutions through internal research and development, to strengthen its intellectual property position, and continue exploring strategic collaborations and accretive acquisition opportunities. Microbot currently holds an intellectual property portfolio that includes 9 patent families, which include 9 patents granted in the US, 12 patents granted outside the US, and 15 patent applications pending worldwide.

Microbot relies or intends to rely on intellectual property licensed or developed, including patents, trade secrets, trademarks, technical innovations, laws of unfair competition and various licensing agreements, to provide its future growth, to build its competitive position and to protect its intellectual property. As Microbot continues to expand its intellectual property portfolio, it is critical for Microbot to continue to invest in filing patent applications to protect its technology, inventions, and improvements.

Microbot requires its employees and consultants to execute confidentiality agreements in connection with their employment or consulting relationships with Microbot. Microbot also requires its employees and consultants who work on its product candidates to agree to disclose and assign to Microbot all inventions conceived during the term of their service, while using Microbot property, or which relate to Microbot's business.

Patent applications in the United States and in foreign countries are maintained in secrecy for a period of time after filing, which results in a delay between the actual discoveries and the filing of related patent applications and the time when discoveries are published in scientific and patent literature. Patents issued and patent applications filed relating to medical devices are numerous, and there can be no assurance that current and potential competitors and other third parties have not filed or in the future will not file applications for, or have not received or in the future will not receive, patents or obtain additional proprietary rights relating to product candidates, products, devices or processes used or proposed to be used by Microbot. Microbot believes that the technologies it employs in its products and systems do not infringe the valid claims of any third party patents. There can be no assurance, however, that third parties will not seek to assert that Microbot devices and systems infringe their patents or seek to expand their patent claims to cover aspects of Microbot's products and systems.

The medical device industry in general has been characterized by substantial litigation regarding patents and other intellectual property rights. Any such claims, regardless of their merit, could be time-consuming and expensive to respond to and could divert Microbot's technical and management personnel. Microbot may be involved in litigation to defend against claims of infringement by other patent holders, to enforce patents issued to Microbot, or to protect Microbot's trade secrets. If any relevant claims of third-party patents are upheld as valid and enforceable in any litigation or administrative proceeding, Microbot could be prevented from practicing the subject matter claimed in such patents, or would be required to obtain licenses from the patent owners of each such patent, or to redesign Microbot's products, devices or processes to avoid infringement. There can be no assurance that such licenses would be available or, if available, would be available on terms acceptable to Microbot or Microbot would be successful in any attempt to redesign products or processes to avoid infringement. Accordingly, an adverse determination in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent Microbot from manufacturing and selling its products.

Issued U.S. patents which cover Microbot's product candidates will expire between 2026 and 2032, excluding any patent term extensions that might be available following the grant of marketing authorization. Issued patents outside of the United States directed to Microbot's product candidates will expire between 2026 and 2032.

License Agreement with the Technion

In June 2012, Microbot entered into a license agreement with TRDF, the technology transfer subsidiary of The Technion Institute of Technology, pursuant to which it obtained an exclusive, worldwide, royalty-bearing, sub-licensable license to certain patents and inventions relating to the SCS and TipCAT technology platforms invented by Professor Moshe Shoham, a director of and advisor to the Company, and in certain circumstances other TRDF-related persons. Pursuant to the terms of the license agreement, in order to maintain the license with respect to each platform, Microbot must use commercially reasonable efforts to develop products covered by the license, including meeting certain agreed upon development milestones. The milestones for SCS include commencing initial studies in humans by December 2018 and commencing a full clinical trial, if necessary, by December 2019. The milestones for TipCAT include commencing initial studies in humans, if needed, by December 2018 and commencing a full clinical trial, if necessary, by December 2020. Failure to meet any development milestone will give TRDF the right to terminate the license with respect to the technology underlying the missed milestone. Although Microbot expects to meet the milestone requirements, TRDF has demonstrated flexibility with respect to amending the terms of the license to extend the milestone dates.

As partial consideration for the grant of the licenses under the agreement, Microbot issued a number of shares to TRDF equal to 3% of its issued and outstanding shares at such time on a fully diluted basis. Such shares were initially subject to antidilution protections but are no longer subject to adjustment. In addition, as partial consideration for the licenses granted, Microbot agreed to pay TRDF royalties of between 1.5% and 3.0% of net sales of products covered by the licenses, subject to certain reductions, and certain percentages of amounts received by Microbot in the event of sublicensing.

In the case of termination of the license by Microbot without cause or by TRDF for cause, TRDF has the right to receive a non-exclusive license from Microbot with respect to improvements to the licensed technologies made by Microbot. In such cases, TRDF would pay a royalty of 10% of the income received by TRDF in connection its sublicensing of such patent right and related intellectual property. If the license from TRDF were to be terminated with respect with either of the technology platforms underlying the SCS or the TipCAT, Microbot would no longer be able to continue its development of the related product candidate. However, Microbot believes that its current intellectual property portfolio, and its ongoing efforts to expand into other micro-robotic surgical technologies, will give it the flexibility to shift its resources towards developing and commercializing related products.

Research and Development

Microbot's research and development programs are generally pursued by engineers and scientists employed by Microbot in its offices in Israel on a full-time basis or as consultants, or through partnerships with industry leaders in manufacturing and design and researchers in academia. Microbot is also working with subcontractors in developing specific components of its technologies.

The primary objectives of Microbot's research and development efforts are to continue to introduce incremental enhancements to the capabilities of its candidate products and to advance the development of proposed products.

Microbot has received funds from the Israeli Innovation Authority (formerly known as the Office of the Chief Scientist in Israel), for research and development activities. Microbot received a grant from the Israeli Innovation Authority in 2012, which grant reimbursed Microbot for 50% of its research and development expenses, up to $764,466. This first grant from the Israeli Innovation Authority ended in 2014. After the expiration of the first grant, Microbot received approval for an additional grant from the Israeli Innovation Authority which reimbursed Microbot for 50% of its research and development expenses for the period from May 1, 2014 through September 30, 2015, up to $924,166. After the expiration of the second grant, Microbot received an approval for a third grant from the Israeli Innovation Authority which reimbursed Microbot for 50% of its research and development expenses for the period from May 1, 2016 through April 30, 2017, up to $1,026,050. Microbot expects to continue to access government funding in the future.

For the fiscal year ended December 31, 2016, Microbot incurred research and development expenses of approximately $901,000 compared to research and development expenses of $823,000 for the fiscal year ended December 31, 2015.

Microbot has already made plans to develop a second version of its SCS device that will have an embedded controller and battery. This alternative design will allow the cleaning mechanism to be automatically activated, without the need for the patient's involvement in the activation process.

On January 27, 2017, Microbot entered into a research agreement with The Washington University in St. Louis to develop the protocol for and to execute the necessary animal study to determine the effectiveness of the Microbot's SCS prototype. The initial research is expected to be completed within 6 months, with a comprehensive study to follow and be completed in 2018. Upon the completion of animal studies, Microbot may conduct clinical trials if they are requested by the FDA or if Microbot decides that the data from such trials would improve the marketability of the product candidate.

Manufacturing

Microbot does not have any manufacturing facilities or manufacturing personnel. Microbot currently relies, and expects to continue to rely, on third parties for the manufacturing of its product candidates for preclinical and clinical testing, as well as for commercial manufacturing if its product candidates receive marketing approval.

Commercialization

Microbot has not yet established a sales, marketing or product distribution infrastructure for its product candidates, which are still in development stages. Microbot plans to access the U.S. markets for hydrocephalus, NPH, and colonoscopy with its initial device offerings through strategic partnerships but may develop its own focused, specialized sales force or distribution channels once it has several commercialized products in its portfolio. Microbot has not yet developed a commercial strategy outside of the United States.

Government Regulation

General

Microbot's medical technology products and operations are subject to extensive regulation in the United States and other countries. Most notably, if Microbot seeks to sell its products in the United States, its products will be subject to the Federal Food, Drug, and Cosmetic Act (FDCA) as implemented and enforced by the U.S. Food and Drug Administration (FDA). The FDA regulates the development, bench and clinical testing, manufacturing, labeling, storage, record-keeping, promotion, marketing, sales, distribution and post-market support and reporting of medical devices in the United States to ensure that medical products distributed domestically are safe and effective for their intended uses. Regulatory policy affecting its products can change at any time.

Advertising and promotion of medical devices in the United States, in addition to being regulated by the FDA, are also regulated by the Federal Trade Commission and by state regulatory and enforcement authorities. Recently, promotional activities for FDA-regulated products of other companies have been the subject of enforcement action brought under healthcare reimbursement laws and consumer protection statutes. In addition, under the federal Lanham Act and similar state laws, competitors and others can initiate litigation relating to advertising claims.

Foreign countries where Microbot wishes to sell its products may require similar or more onerous approvals to manufacture or market its products. Government agencies in those countries also enforce laws and regulations that govern the development, testing, manufacturing, labeling, advertising, marketing and distribution, and market surveillance of medical device products. These regulatory requirements can change rapidly with relatively short notice.

Other regulations Microbot encounters in the United States and in other jurisdictions are the regulations that are common to all businesses, such as employment legislation, implied warranty laws, and environmental, health and safety standards, to the extent applicable. In the future, Microbot will also encounter industry-specific government regulations that would govern its products, if and when they are developed for commercial use.

U.S. Regulation

The FDA governs the following activities that Microbot performs, will perform, upon the clearance or approval of its product candidates, or that are performed on its behalf, to ensure that medical products distributed domestically or exported internationally are safe and effective for their intended uses:

- product design, and development;
- product safety, testing, labeling and storage;
- record keeping procedures; and
- product marketing.

There are numerous FDA regulatory requirements governing the approval or clearance and subsequent commercial marketing of Microbot's products. These include:

- the timely submission of product listing and establishment registration information, along with associated establishment user fees;
- continued compliance with the Quality System Regulation, or QSR, which require specification developers and manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all aspects of the manufacturing process;
- labeling regulations and FDA prohibitions against the promotion of products for uncleared, unapproved or off-label use or indication;
- clearance or approval of product modifications that could significantly affect the safety or effectiveness of the device or that would constitute a major change in intended use;
- Medical Device Reporting regulations (MDR), which require that manufacturers keep detailed records of investigations or complaints against their devices and to report to the FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if it were to recur;
- adequate use of the Corrective and Preventive Actions process to identify and correct or prevent significant systemic failures of products or processes or in trends which suggest same;
- post-approval restrictions or conditions, including post-approval study commitments;
- post-market surveillance regulations, which apply when necessary to protect the public health or to provide additional safety and effectiveness data for the device; and
- notices of correction or removal and recall regulations.

Unless an exemption applies, before Microbot can commercially distribute medical devices in the United States, Microbot must obtain, depending on the classification of the device, either prior 510(k) clearance, 510(k) de-novo clearance or premarket approval (PMA), from the FDA. The FDA classifies medical devices into one of three classes based on the degree of risk associated with each medical device and the extent of regulatory controls needed to ensure the device's safety and effectiveness:

- Class I devices, which are low risk and subject to only general controls (e.g., registration and listing, medical device labeling compliance, MDRs, Quality System Regulations, and prohibitions against adulteration and misbranding) and, in some cases, to the 510(k) premarket clearance requirements;
- Class II devices, which are moderate risk and generally require 510(k) or 510(k) de-novo premarket clearance before they may be commercially marketed in the United States as well as general controls and potentially special controls like performance standards or specific labeling requirements; and
- Class III devices, which are devices deemed by the FDA to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices, or devices deemed not substantially equivalent to a predicate device. Class III devices generally require the submission and approval of a PMA supported by clinical trial data.

Microbot expect the medical products in its pipeline currently to be classified as Class II. Class II devices are those for which general controls alone are insufficient to provide reasonable assurance of safety and effectiveness and there is sufficient information to establish special controls. Special controls can include performance standards, post-market surveillance, patient histories and FDA guidance documents. Premarket review and clearance by the FDA for these devices is generally accomplished through the 510(k) or 510(k) de-novo premarket notification process. As part of the 510(k) or 510(k) de-novo notification process, FDA may require the following:

- Development of comprehensive product description and indications for use;
- Comprehensive review of predicate devices and development of data supporting the new product's substantial equivalence to one or more predicate devices; and
- If appropriate and required, certain types of clinical trials (IDE submission and approval may be required for conducting a clinical trial in the US).

Clinical trials involve use of the medical device on human subjects under the supervision of qualified investigators in accordance with current Good Clinical Practices (GCPs), including the requirement that all research subjects provide informed consent for their participation in the clinical study. A written protocol with predefined end points, an appropriate sample size and pre-determined patient inclusion and exclusion criteria, is required before initiating and conducting a clinical trial. All clinical investigations of devices to determine safety and effectiveness must be conducted in accordance with the FDA's Investigational device Exemption, or IDE, regulations that among other things, govern investigational device labeling, prohibit promotion of the investigational device, and specify recordkeeping, reporting and monitoring responsibilities of study sponsors and study investigators. If the device presents a "significant risk," as defined by the FDA, the agency requires the device sponsor to submit an IDE application, which must become effective prior to commencing human clinical trials. The IDE will automatically become effective 30 days after receipt by the FDA, unless the FDA denies the application or notifies the company that the investigation is on hold and may not begin. If the FDA determines that there are deficiencies or other concerns with an IDE that requires modification, the FDA may permit a clinical trial to proceed under a conditional approval. In addition, the study must be approved by, and conducted under the oversight of, an Institutional Review Board (IRB) for each clinical site. If the device presents a non-significant risk to the patient, a sponsor may begin the clinical trial after obtaining approval for the trial by one or more IRBs without separate approval from the FDA, but it must still follow abbreviated IDE requirements, such as monitoring the investigation, ensuring that the investigators obtain informed consent, and labeling and record-keeping requirements.

- Assuming successful completion of all required testing, a detailed 510(k) premarket notification or 510(k) de-novo is submitted to the FDA requesting clearance to market the product. The notification includes all relevant data from pertinent preclinical and clinical trials, together with detailed information relating to the product's manufacturing controls and proposed labeling, and other relevant documentation.

- A 510(k) clearance letter from the FDA will authorize commercial marketing of the device for one or more specific indications for use.

- After 510(k) clearance, Microbot will be required to comply with a number of post-clearance requirements, including, but not limited to, Medical Device Reporting and complaint handling, and, if applicable, reporting of corrective actions. Also, quality control and manufacturing procedures must continue to conform to QSRs. The FDA periodically inspects manufacturing facilities to assess compliance with QSRs, which impose extensive procedural, substantive, and record keeping requirements on medical device manufacturers. In addition, changes to the manufacturing process are strictly regulated, and, depending on the change, validation activities may need to be performed. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain compliance with QSRs and other types of regulatory controls.

After a device receives 510(k) clearance from FDA, any modification that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use or technological characteristics, requires a new 510(k) clearance or could require a PMA. The FDA requires each manufacturer to make the determination of whether a modification requires a new 510(k) notification or PMA in the first instance, but the FDA can review any such decision. If the FDA disagrees with a manufacturer's decision not to seek a new 510(k) clearance or PMA for a particular change, the FDA may retroactively require the manufacturer to seek 510(k) clearance or PMA. The FDA can also require the manufacturer to cease U.S. marketing and/or recall the modified device until additional 510(k) clearance or PMA approval is obtained.

The FDA and the Federal Trade Commission, or FTC, will also regulate the advertising claims of Microbot's products to ensure that the claims Microbot makes are consistent with its regulatory clearances, that there is scientific data to substantiate the claims and that product advertising is neither false nor misleading.

To obtain 510(k) clearance, Microbot must submit a notification to the FDA demonstrating that its proposed device is substantially equivalent to a predicate device (i.e., a device that was in commercial distribution before May 28, 1976, a device that has been reclassified from Class III to Class I or Class II, or a 510(k)-cleared device). The FDA's 510(k) clearance process generally takes from three to 12 months from the date the application is submitted but also can take significantly longer. If the FDA determines that the device or its intended use is not substantially equivalent to a predicate device, the device is automatically placed into Class III, requiring the submission of a PMA.

There is no guarantee that the FDA will grant Microbot 510(k) clearance for its pipeline medical device products, and failure to obtain the necessary clearances for its products would adversely affect Microbot's ability to grow its business. Delays in receipt or failure to receive the necessary clearances, or the failure to comply with existing or future regulatory requirements, could reduce its business prospects.

Devices that cannot be cleared through the 510(k) process due to lack of a predicate device but would be considered low or moderate risk may be eligible for the 510(k) de-novo process. In 1997, the Food and Drug Administration Modernization Act, or FDAMA added the de novo classification pathway now codified in section 513(f)(2) of the FD&C Act. This law established an alternate pathway to classify new devices into Class I or II that had automatically been placed in Class III after receiving a Not Substantially Equivalent, or NSE, determination in response to a 510(k) submission. Through this regulatory process, a sponsor who receives an NSE determination may, within 30 days of receipt, request FDA to make a risk-based classification of the device through what is called a "de novo request." In 2012, section 513(f)(2) of the FD&C Act was amended by section 607 of the Food and Drug Administration Safety and Innovation Act (FDASIA), in order to provide a second option for de novo classification. Under this second pathway, a sponsor who determines that there is no legally marketed device upon which to base a determination of substantial equivalence can submit a de novo request to FDA without first submitting a 510(k).

In the event that Microbot receives a Not Substantially Equivalent determination for either of its device candidates in response to a 510(k) submission, the Microbot device may still be eligible for the 510(k) de-novo classification process.

Devices that cannot be cleared through the 510(k) or 510(k) de-novo classification process require the submission of a PMA. The PMA process is much more time consuming and demanding than the 510(k) notification process. A PMA must be supported by extensive data, including but not limited to data obtained from preclinical and/or clinical studies and data relating to manufacturing and labeling, to demonstrate to the FDA's satisfaction the safety and effectiveness of the device. After a PMA application is submitted, the FDA's in-depth review of the information generally takes between one and three years and may take significantly longer. If the FDA does not grant 510(k) clearance to its products, there is no guarantee that Microbot will submit a PMA or that if Microbot does, that the FDA would grant a PMA approval of Microbot's products, either of which would adversely affect Microbot's business.

Foreign Regulation

In addition to regulations in the United States, Microbot will be subject to a variety of foreign regulations governing clinical trials, marketing authorization and commercial sales and distribution of its products in foreign countries. The approval process varies from country to country, and the time may be longer or shorter than that required for FDA approval or clearance. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from country to country.

International sales of medical devices are subject to foreign governmental regulations which vary substantially from country to country. Whether or not Microbot obtains FDA approval or clearance for its products, Microbot will be required to make new regulatory submissions to the comparable regulatory authorities of foreign countries before Microbot can commence clinical trials or marketing of the product in such countries. The time required to obtain certification or approval by a foreign country may be longer or shorter than that required for FDA clearance or approval, and the requirements may differ. Below are summaries of the regulatory systems for medical devices in Europe and Israel, where Microbot currently anticipates marketing its products. However, its products may also be marketed in other countries that have different systems or minimal requirements for medical devices.

Europe. The primary regulatory body in Europe is the European Union, or E.U., which consists of 28 member states and has a coordinated system for the authorization of medical devices.

The E.U. has adopted legislation, in the form of directives to be implemented in each member state, concerning the regulation of medical devices within the European Union. The directives include, among others, the Medical Device Directive, or MDD, that establishes certain requirements with which medical devices must comply before they can be commercialized in the European Economic Area, or EEA (which comprises the member states of the E.U. plus Norway, Liechtenstein and Iceland). Under the MDD, medical devices are classified into four Classes, I, IIa, IIb, and III, with Class I being the lowest risk and Class III being the highest risk. However, the E.U. authorities, including the European Commission, do not have direct regulatory over medical device manufacturers under the MDD. Rather, the MDD directs E.U. Member States to implement laws and regulations consistent with the provisions set forth in the directive.

Under the MDD, to demonstrate compliance of a medical device with the essential requirements, manufacturers must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. An accredited body known as a "Notified Body", which is an entity designated by an E.U. Member State (or competent authority) to perform conformity assessments, will typically audit and examine the manufacturer's quality system for the production, quality, design and final inspection of the medical devices and review a Technical File containing technical documents regarding the device, including but limited to, detailed device description, manufacturing information, preclinical and clinical tests, risk analysis, compliance with essential requirements, etc., before issuing a certification demonstrating compliance with the essential requirements. Medical devices that comply with the essential requirements are entitled to bear the Conformité Européene, or CE Mark. Medical devices properly bearing the CE Mark may be commercially distributed throughout the EEA. Under the MDD, notified bodies are also charged with performing periodic inspections to verify that a manufacturer's quality system, particularly the production and quality controls, is adequately executed and maintained.

In addition, the MDD requires all medical device manufacturers to inform the competent authorities of their respective Member States of the address(es) of any business facilities and descriptions of any certified medical device products. The MDD also requires manufacturers to file vigilance reports in the event a device malfunction, deterioration in performance, or inadequate instructions or labeling results in, or could lead to, death or serious harm to a patient.

In September 2012, the European Commission published proposals for the revision of the EU regulatory framework for medical devices. The proposal would replace the MDD with a new regulation, the Medical Devices Regulation, or MDR. Unlike the MDD that must be implemented into national laws, the Medical Devices Regulation would be directly applicable in all EEA member states and so is intended to eliminate current national differences in regulation of medical devices. E.U. lawmakers published a revised draft of the proposed MDR in June 2016, which continues to be discussed within the Council of the European Union and the European Parliament.

Final formal adoption is expected both by the European Council and the European Parliament during the second quarter of 2017. If finally adopted, the MDR is expected to become applicable three years thereafter. The adoption of the MDR may, however, be materially delayed due to disagreements about specific portions of the regulation, as well as the implementation process. In its current form it would, among other things, impose additional reporting requirements on manufacturers of high risk medical devices, impose an obligation on manufacturers to appoint a "qualified person" responsible for regulatory compliance, and provide for more strict clinical evidence requirements. These new rules and procedures will likely result in increased regulatory oversight of all medical devices marketed in the E.U., and this may, in turn, increase the costs, time and requirements that need to be met in order to place a medical devices on the EEA market.

Microbot intends to apply for the CE Mark for each of its medical device products. There is no guarantee that Microbot will be granted a CE Mark for all or any of its pipeline products and failure to obtain the CE Mark would adversely affect its ability to grow its business.

Israel. Israel's Medical Devices Law generally requires the registration of all medical products with the Ministry of Health, or MOH, Registrar as a precondition for production and distribution in Israel. Special exemptions may apply under limited circumstances and for purposes such as the provision of essential medical treatment, research and development of the medical device, and personal use, among others.

Registration of medical devices requires the submission of an application to the Ministry of Health Medical Institutions and Devices Licensing Department, or AMAR. An application for the registration of a medical device includes the following:

- Name and address of the manufacturer, and of the importer as applicable;
- Description of the intended use of the medical device and of its medical indications;
- Technical details of the medical device and of its components, and in the event that the device or the components are not new, information should be provided on the date or renovation;
- Certificate attesting to the safety of the device, issued by a competent authority of one of the following countries: Australia, Canada, European Community (EC), Member States (MSs), Israel, Japan, or the United States;
- Information on any risk which may be associated with the use of the device (including precautionary measures to be taken);
- Instructions for use of the device in Hebrew; the MOH may allow the instructions to be in English for certain devices;
- Details of the standards to which the device complies;
- Description of the technical and maintenance services, including periodic checks and inspections; and
- Declaration, as appropriate: of the local manufacturer/importer, and of the foreign manufacturer.

If the application includes a certificate issued by a competent authority of one of the following "recognized" countries: Australia, Canada, European Community (CE) Member States (MSs), Japan, or the United States, the registration process is generally expedited, but could still take 6-9 months for approval. If such certificate is not available, the registration process will take significantly longer and a license is rarely issued. Furthermore, the MOH will determine what type of testing is needed. In general, in the case of Israeli manufactured devices that are not registered or authorized in any "recognized" country, the application requires presentation of a risk analysis, a clinical evaluation, a summary of the clinical trials, and expert opinions regarding the device's safety and effectiveness. Additional requirements may apply during the registration period, including follow-up reviews, to improve the quality and safety of the devices.

According to regulations issued by Israel's Minister of Health in June 2013, a decision on a request to register a medical device must be delivered by AMAR within 120 days from the date of the request, although this rarely occurs. The current rules for the registration of medical devices do not provide for an expedited approval process.

Once granted by the MOH, a license (marketing authorization) for a medical device is valid for five years from the date of registration of the device, except for implants with a life-supporting function, for which the validity is for only two years from the date of registration. Furthermore, the holder of the license, the Israeli Registration Holder, or IRH, must do the following to maintain its license:

- Reside and maintain a place of business in Israel and serve as the regulatory representative.
- Respond to questions from AMAR concerning the registered products.
- Report adverse events to AMAR.
- Renew the registration on time to keep the market approval active.
- Comply with post-marketing requirements, including reporting of adverse and unexpected events occurring in Israel or in other countries where the device is in use.

Getting a device listed on Israel's four major Sick Funds (health insurance entities) is also necessary in order for Israeli hospitals and health care providers to order such products.

Microbot intends to apply for a license from the MOH for each of its medical devices. There is no guarantee that Microbot will be granted licenses for its pipeline products and failure to obtain such licenses would adversely affect its ability to grow its business.

Employees

Microbot's Chief Executive Officer, President and Chairman, Harel Gadot, is based in Microbot's U.S. office located in Hingham, Massachusetts. Additionally, Microbot currently has six full-time employees and one part time employee based in its office located in Yokneam, Israel. These employees oversee day-to-day operations of the Company supporting management and leading engineering, manufacturing, intellectual property and administration functions of the Company. As required, Microbot also engages consultants to provide services to the Company, including regulatory, legal and corporate services. Microbot has no unionized employees.

Microbot currently plans to hire an additional 4-6 full-time employees within the next 12 months subject to the availability of funds, whose principal responsibilities will be the support of its operational, research and development, and clinical development activities.

Item 1A. Risk Factors

This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. Our business, operating results, financial performance, and share price may be materially adversely affected by a number of factors, including but not limited to the following risk factors, any one of which could cause actual results to vary materially from anticipated results or from those expressed in any forward-looking statements made by us in this Annual Report on Form 10-K or in other reports, press releases or other statements issued from time to time. Additional factors that may cause such a difference are set forth elsewhere in this Annual Report on Form 10-K. Forward-looking statements speak only as of the date of this report. We do not undertake any obligation to publicly update any forward-looking statements.

Risks Relating to Microbot's Financial Position and Need for Additional Capital

Microbot has had no revenue and has incurred significant operating losses since inception and is expected to continue to incur significant operating losses for the foreseeable future. The Company may never become profitable or, if achieved, be able to sustain profitability.

Microbot has incurred significant operating losses since its inception and expects to incur significant losses for the foreseeable future as Microbot continues its preclinical and clinical development programs for its existing product candidates, SCS and TipCAT; its research and development of any other future product candidates; and all other work necessary to obtain regulatory clearances or approvals for its product candidates in the United States and other markets. In the future, Microbot intends to continue conducting micro-robotics research and development; performing necessary animal and clinical testing; working towards medical device regulatory compliance; and, if SCS, TipCAT or other future product candidates are approved or cleared for commercial distribution, engaging in appropriate sales and marketing activities that, together with anticipated general and administrative expenses, will likely result in Microbot incurring further significant losses for the foreseeable future.

Microbot is a development-stage medical device company and currently generates no revenue from product sales, and may never be able to commercialize SCS, TipCAT or other future product candidates. Microbot does not currently have the required approvals or clearances to market or test in humans SCS, TipCAT or any other future product candidates and Microbot may never receive them. Microbot does not anticipate generating significant revenues until it can successfully develop, commercialize and sell products derived from its product pipeline, of which Microbot can give no assurance. Even if Microbot or any of its future development partners succeed in commercializing any of its product candidates, Microbot may never generate revenues significant enough to achieve profitability.

Because of the numerous risks and uncertainties associated with its product development pipeline and strategy, Microbot cannot accurately predict when it will achieve profitability, if ever. Failure to become and remain profitable would depress the value of the Company and could impair its ability to raise capital, which may force the Company to curtail or discontinue its research and development programs and/or day-to-day operations. Furthermore, there can be no assurance that profitability, if achieved, can be sustained on an ongoing basis.

Microbot's business depends on the success of the SCS and the TipCAT, both of which are still in pre-clinical development. If Microbot is unable to obtain regulatory approval for or to successfully commercialize these products, its business will be materially harmed.

To date, the primary focus of Microbot's product development has been on SCS, for the treatment of hydrocephalus and normal pressure hydrocephalus, or NPH, and TipCAT, a self-propelling, semi-disposable endoscope being developed initially for use in colonoscopy procedures. Successful continued development and ultimate regulatory approval or clearance of both SCS and TipCAT are critical to the future success of Microbot's business. Microbot has invested, and will continue to invest, a significant portion of its time and financial resources in the development, pre-clinical and clinical testing of and obtaining regulatory authorization for SCS and TipCAT. Microbot will need to raise sufficient funds to successfully complete its development of these products. The future regulatory and commercial success of SCS and TipCAT is subject to a number of risks, including the following:

- Microbot may not have sufficient financial and other resources to complete the necessary clinical trials for SCS and TipCAT;
- If clinical trials are required for FDA clearance or approval of SCS or TipCAT, Microbot may not be able to obtain adequate evidence from such clinical trials of safety and effectiveness in order to receive the applicable clearance or approval from the FDA; and
- Microbot does not know the degree to which SCS or TipCAT will be accepted and adopted by physicians, patients and payors, even if approved or cleared by FDA for commercial marketing.

If Microbot is unable to successfully navigate these risks and achieve commercial success for its products, its business will be significantly harmed and Microbot may never become profitable.

Microbot has a limited operating history, which may make it difficult to evaluate the prospects for the Company's future viability.

Microbot has a limited operating history upon which an evaluation of its business plan or performance and prospects can be made. The business and prospects of Microbot must be considered in the light of the potential problems, delays, uncertainties and complications that may be encountered in connection with a newly established business. The risks include, but are not limited to, the possibility that Microbot will not be able to develop functional and scalable products, or that although functional and scalable, its products will not be economical to market; that its competitors hold proprietary rights that may preclude Microbot from marketing such products; that its competitors market a superior or equivalent product; that Microbot is not able to upgrade and enhance its technologies and products to accommodate new features and expanded service offerings; or the failure to receive necessary regulatory clearances or approvals for its products. To successfully introduce and market its products at a profit, Microbot must establish brand name recognition and competitive advantages for its products. There are no assurances that Microbot can successfully address these challenges. If it is unsuccessful, Microbot and its business, financial condition and operating results could be materially and adversely affected.

Microbot's operations to date have been limited to organizing the company, entering into licensing arrangements to initially obtain rights to its technologies, developing and securing its technologies, raising capital, developing regulatory and reimbursement strategies for its product candidates and preparing for pre-clinical and clinical trials of the SCS and TipCAT. Microbot has not yet demonstrated its ability to successfully complete development of any product candidate, obtain marketing clearance or approval, manufacture a commercial-scale product or arrange for a third party to do so on its behalf, or conduct sales and marketing activities necessary for successful product commercialization. Consequently, any predictions made about Microbot's future success or viability may not be as accurate as they could be if Microbot had a longer operating history.

Microbot will need substantial additional funding. If Microbot is unable to raise capital when needed, it could be forced to delay, reduce or eliminate its product development programs or commercialization efforts.

To date, Microbot has funded its operations primarily through private placement offerings of debt and equity securities, grants and loans. Microbot does not know when, or if, it will generate any revenue, but does not expect to generate significant revenue unless and until it obtains regulatory clearance or approval of and commercializes one of its current or future product candidates. It is anticipated that the Company will continue to incur losses for the foreseeable future, and that losses will increase as it continues the development of, and seeks regulatory review of, its product candidates, and begins to commercialize any approved or cleared products following a successful regulatory review.

Microbot expects the research and development expenses of the Company to increase substantially in future periods as it conducts pre-clinical studies in large animals and potentially clinical trials for its product candidates, and especially if it initiates additional research programs for future product candidates. In addition, if the Company obtains marketing clearance or approval for any of its product candidates, it expects to incur significant commercialization expenses related to product manufacturing, marketing and sales. Furthermore, Microbot expects to incur additional costs associated with operating as a public company in the United States. Accordingly, the Company will need to obtain substantial additional funding in connection with its continuing operations. If the Company is unable to raise capital when needed or on attractive terms, it could be forced to delay, reduce or eliminate its research and development programs or any future commercialization efforts.

Microbot believes that the net cash of the Company will be sufficient to fund the Company for at least 12 months and fund operations necessary to continue development activities of the SCS and TipCAT.

The Company may need to raise additional funds through equity offerings or otherwise in order to meet expected future liquidity needs, including the introduction of the SCS device into the hydrocephalus and NPH market, and introducing the TipCAT as a next-generation colonoscope. The Company's future capital requirements, generally, will depend on many factors, including:

- the timing and outcomes of the product candidates' regulatory reviews, subsequent approvals or clearances, or other regulatory actions;
- the costs, design, duration and any potential delays of the clinical trials that could be conducted at the FDA's request using Microbot's product candidates;
- the costs of acquiring, licensing or investing in businesses, product candidates and technologies;
- the costs to maintain, expand and defend the scope of Microbot's intellectual property portfolio;
- the costs to secure or establish sales, marketing and commercial manufacturing capabilities or arrangements with third parties regarding same;
- the Company's need and ability to hire additional management and scientific and medical personnel; and
- the costs to operate as a public company in the United States, including the need to implement additional financial and reporting systems and other internal systems and infrastructure for the Company's business.

Raising additional capital may cause dilution to the Company's investors, restrict its operations or require it to relinquish rights to its technologies or product candidates.

Until such time, if ever, as the Company can generate substantial product revenues, it expects to finance its cash needs through a combination of equity offerings, licensing, collaboration or similar arrangements, grants and debt financings. The Company does not have any committed external source of funds. To the extent that the Company raises additional capital through the sale of equity or convertible debt securities, the ownership interest of its stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of holder of the Company's common stock. Debt financing, if available, may involve agreements that include covenants limiting or restricting the Company's ability to take specific actions, such as incurring additional debt, making capital expenditures, declaring dividends or other distributions, selling or licensing intellectual property rights, and other operating restrictions that could adversely affect the Company's ability to conduct its business.

If the Company raises additional funds through licensing, collaboration or similar arrangements, it may have to relinquish valuable rights to its technologies, future revenue streams, research and development programs or product candidates or to grant licenses on terms that may not be favorable to the Company. If the Company is unable to raise additional funds through equity or debt financings or other arrangements when needed, it may be required to delay, limit, reduce or terminate its product development or future commercialization efforts or grant rights to develop and market product candidates that it would otherwise prefer to develop and market itself.

Risks Relating to the Development and Commercialization of Microbot's Product Candidates

Microbot's business depends heavily on the success of its lead product candidates, the SCS and the TipCAT. If Microbot is unable to commercialize the SCS or the TipCAT or experiences significant delays in doing so, Microbot's business will be materially harmed.

On January 27, 2017 Microbot entered into a research agreement with The Washington University to develop the protocol for and to execute the necessary animal study to determine the effectiveness of the Microbot's SCS prototype. The initial research is expected to be completed within 6 months, with a comprehensive study to follow and be completed in 2018. Upon the completion of animal studies, Microbot may conduct clinical trials if they are requested by the FDA or if Microbot decides that the data from such trials would improve the marketability of the product candidate. The TipCAT is expected to enter animal studies in 2018. Upon the completion of animal studies, Microbot may conduct clinical trials if they are requested by the FDA or if Microbot decides that the data from such trials would improve the marketability of the product candidate. After all necessary clinical and performance data supporting the safety and effectiveness of each product candidate are collected, Microbot must still obtain FDA clearance or approval to market the device and those regulatory processes can take several months to several years to be completed. Therefore, Microbot's ability to generate product revenues will not occur for at least the next few years, if at all, and will depend heavily on the successful commercialization of SCS and TipCAT in their respective intended markets. The success of each of these product candidates will depend on a number of factors, including the following:

- the Company's ability to obtain additional capital;
- successful completion of animal studies and, if necessary, human clinical trials and the collection of sufficient data to demonstrate that the device is safe and effective for its intended use;
- receipt of marketing approvals or clearances from FDA and other applicable regulatory authorities;
- establishing commercial manufacturing arrangements with one or more third parties;
- obtaining and maintaining patent and trade secret protections;
- protecting Microbot's rights in its intellectual property portfolio;
- establishing sales, marketing and distribution capabilities;
- generating commercial sales of SCS and TipCAT, as applicable, if and when approved, whether alone or in collaboration with other entities;
- acceptance of SCS and TipCAT, as applicable, if and when commercially launched, by the medical community, patients and third-party payors;
- effectively competing with existing shunt and endoscope products on the market and any new competing products that may enter the market; and

- maintaining quality and an acceptable safety profile of SCS and TipCAT, as applicable, following clearance or approval.

If Microbot does not achieve one or more of these factors in a timely manner or at all, it could experience significant delays or an inability to successfully commercialize SCS and/or TipCAT, which would materially harm its business.

Microbot's product candidates are subject to an uncertain and potentially lengthy domestic regulatory review process. If Microbot does not obtain and maintain the necessary regulatory authorizations from the Food and Drug Administration, Microbot will not be able to sell its product candidates in the United States.

Microbot's product candidates and operations are subject to extensive regulation in the United States by the FDA under the agency's medical device authorities. The FDA regulates the development, bench and clinical testing, manufacturing, labeling, storage, record-keeping, promotion, marketing sales, distribution and post-market support and reporting of medical devices in the United States to ensure that medical products distributed domestically are safe and effective for their intended uses. Microbot expects its product candidates to be classified as Class II. In order to market Class II products for use in the United States, Microbot must first obtain clearance from the FDA pursuant to Section 510(k) of the Federal Food, Drug, and Cosmetic Act. Clearance under Section 510(k) requires a demonstration that a new device is substantially equivalent to another device with 510(k) clearance or grandfathered status or to a device that was reclassified from Class III to Class II or Class I.

If the FDA determines that the device or its intended use is not substantially equivalent to a predicate device, the device is automatically placed into Class III, requiring the submission of a premarket approval application (PMA). There is no guarantee that the FDA will agree with Microbot's determination that a 510(k) notification is the appropriate regulatory pathway for its products, or that FDA will grant Microbot 510(k) clearance for its pipeline medical device products even if that pathway is accepted. Failure to obtain the necessary clearances for its products would adversely affect Microbot's ability to grow its business. Delays in receipt or failure to receive the necessary clearances, or the failure to comply with existing or future regulatory requirements, could reduce our business prospects.

Devices that cannot be cleared through the 510(k) process due to lack of a predicate device but would be considered low or moderate risk (in other words, they do not rise to the level of requiring the approval of a PMA) may be eligible for the 510(k) de novo classification process. If FDA determines that either of Microbot's product candidates is not eligible for a traditional 510(k), the Microbot device may still be eligible for the 510(k) de novo process.

Even if one or both of Microbot's product candidates receives 510(k) clearance from FDA, under either the traditional pathway or the de novo 510(k) pathway, any subsequent modification that could significantly affect the device's safety or effectiveness, or that would cause them to be marketed for additional indications for use, may require a new 510(k) clearance or a PMA for the modified products before Microbot will be permitted to market them in the United States. The FDA can require a manufacturer to cease U.S. marketing and/or recall the modified device until it is satisfied that the appropriate 510(k) clearance or PMA approval is obtained.

The FDA may not act favorably or quickly in its review of Microbot's 510(k), de novo 510(k), or PMA submissions, as applicable, or Microbot may encounter significant difficulties and costs in its efforts to obtain FDA clearance or approval, any of which could delay or preclude its sale of its product candidates in the United States. Furthermore, the FDA may request additional data or require Microbot to conduct further testing, or compile more data, including clinical data and clinical studies, in support of its 510(k) submission or potentially a de novo 510(k).

Moreover, the regulatory policies affecting Microbot's proposed product candidates can change at any time. The changes and their potential impact on Microbot's business cannot be accurately predicted. For example, in 2011, the FDA announced a Plan of Action to modernize and improve the FDA's premarket review of medical devices, and has implemented, and continues to implement, reforms intended to streamline the premarket review process. In addition, as part of the Food and Drug Administration Safety and Innovation Act of 2012, Congress enacted several reforms through the Medical Device Regulatory Improvements and additional miscellaneous provisions which will further affect both pre- and post-approval medical device regulation. Changes in the FDA 510(k) process could make clearance more difficult to obtain, increase delay, add uncertainty and have other significant adverse effects on Microbot's ability to obtain and maintain clearance for its product candidates.

The FDA may also, instead of accepting any kind of 510(k) submission, classify a product as high-risk and require Microbot to submit a PMA for the initial clearance, which is typically a much more complex, lengthy and burdensome application than a 510(k) submission. To support a PMA, the FDA would likely require that Microbot conduct one or more clinical studies to demonstrate that the device is safe and effective. In some cases such studies may be requested for a 510(k) or de novo 510(k) as well. Microbot may not be able to meet the requirements to obtain 510(k) clearance or PMA approval, in which case the FDA may not grant any necessary clearances or approvals. In addition, the FDA may place significant limitations upon the intended use of its product candidates as a condition to a 510(k) clearance or PMA approval. Product applications can also be denied or withdrawn due to failure to comply with regulatory requirements or the occurrence of unforeseen problems following clearance or approval. Any delays or failure to obtain FDA clearance or approval of new products Microbot develops, any limitations imposed by the FDA on new product use or the costs of obtaining FDA clearance or approvals could have a material adverse effect on Microbot's business, financial condition and results of operations.

Failure to comply with the regulations or obtain the approvals described above could have a material adverse effect on Microbot's business, financial condition and results of operations. There can be no assurance that clinical trials will meet desired endpoints, produce meaningful or useful data and be free of unexpected adverse effects, and such uncertainty could preclude or delay market clearance or authorizations resulting in significant financial costs and reduced revenue.

At this time, Microbot does not know whether the FDA will require it to submit clinical data in support of its future marketing applications for either product candidate.

Microbot anticipates that each of its existing product candidates, SCS and TipCAT, will be classified by the FDA as Class II and thus be eligible for marketing pursuant to a cleared 510(k) notification. However, there is no guarantee that the FDA will agree with the Company's determination or that the FDA would accept the predicate devices that Microbot intends to submit in its 510(k) notifications in order to establish that its new device product is substantially equivalent to one or more predicate devices. The FDA also may request additional data in response to a 510(k) notification, or require Microbot to conduct further testing or compile more data in support of its 510(k) submission or de novo 510(k), as appropriate. Such additional data could include clinical data that must be derived from human clinical studies that are designed appropriately to address the potential questions from the FDA regarding a proposed product's safety or effectiveness.

In order to conduct a clinical investigation involving human subjects for the purpose of demonstrating the safety and effectiveness of a medical device, a company must, among other things, apply for and obtain Institutional Review Board, or IRB, approval of the proposed investigation. In addition, if the clinical study involves a "significant risk" (as defined by the FDA) to human health, the sponsor of the investigation must also submit and obtain FDA approval of an Investigational Device Exemption, or IDE, application. Microbot may not be able to obtain FDA and/or IRB approval to undertake clinical trials in the United States for any new devices Microbot intends to market in the United States in the future. Any type of clinical study in humans requires the investment of substantial expense, professional resources and time. Moreover, the timing of the commencement, continuation and completion of any future clinical trial may be subject to significant delays attributable to various causes, including scheduling conflicts with participating clinicians and clinical institutions, difficulties in identifying and enrolling patients who meet trial eligibility criteria, failure of patients to complete the clinical trial, delay in or failure to obtain IRB approval to conduct a clinical trial at a prospective site, and shortages of supply in the investigational device.

The addition of one or more mandatory clinical trials to the development timeline for one or both Microbot product candidates would significantly increase the costs associated with developing and commercializing the product and delay the timing of U.S. regulatory authorization.

Unsuccessful animal studies, clinical trials or procedures relating to product candidates under development could have a material adverse effect on Microbot's prospects.

The regulatory approval process for new products and new indications for existing products requires extensive data and procedures, including the development of regulatory and quality standards and, potentially, certain clinical studies. Unfavorable or inconsistent data from current or future clinical trials or other studies conducted by Microbot or third parties, including the studies now being performed by The Washington University or perceptions regarding such data, could adversely affect Microbot's ability to obtain necessary device clearance or approval and the market's view of Microbot's future prospects. Failure to successfully complete these studies in a timely and cost-effective manner could have a material adverse effect on Microbot's prospects. Because animal trials, clinical trials and other types of scientific studies are inherently uncertain, there can be no assurance that these trials or studies will be completed in a timely or cost-effective manner or result in a commercially viable product. Clinical trials or studies may experience significant setbacks even if earlier preclinical or animal studies have shown promising results. Furthermore, preliminary results from clinical trials may be contradicted by subsequent clinical analysis. Results from clinical trials may also not be supported by actual long-term studies or clinical experience. If preliminary clinical results are later contradicted, or if initial results cannot be supported by actual long-term studies or clinical experience, Microbot's business could be adversely affected. Clinical trials also may be suspended or terminated by us, the FDA or other regulatory authorities at any time if it is believed that the trial participants face unacceptable health risks.

Microbot has no prior experience in conducting clinical trials and will depend upon the ability of third parties, including contract research organizations, collaborative academic groups, future clinical trial sites and investigators, to conduct or to assist the Company in conducting clinical trials for its product candidates, if such trials become necessary.

As a development-stage, pre-clinical company, Microbot has no prior experience in designing, initiating, conducting and monitoring human clinical trials, if data from such trials become necessary in order to obtain regulatory clearance or approval of our product candidates. Should the FDA or another regulatory agency in a foreign market request clinical data to support the safety and effectiveness of Microbot's product candidates, Microbot will depend upon its ability and/or the ability of future collaborators, contract research organizations, clinical trial sites and investigators to successfully design, initiate, conduct and monitor such clinical trials.

Failure by Microbot or by any of these future collaborating parties to timely and effectively initiate, conduct and monitor a future clinical trial could significantly delay or materially impair Microbot's ability to complete those clinical trials and/or obtain regulatory clearance or approval of its product candidates and, consequently, could delay or materially impair its ability to generate revenues from the commercialization of those products.

If the commercial opportunity for SCS and TipCAT is smaller than Microbot anticipates, Microbot's future revenue from SCS and TipCAT will be adversely affected and Microbot's business will suffer.

If the size of the commercial opportunities in any of Microbot's target markets is smaller than it anticipates, Microbot may not be able to achieve profitability and growth. Microbot is developing SCS as a device for the treatment of hydrocephalus and NPH and is developing TipCAT as an endoscopic tool, with colonoscopy as the most immediate application of the TipCAT technology. Microbot expects its future revenues to be primarily derived from the sales of the SCS and TipCAT, neither of which has undergone an FDA pre-market review process necessary to commercialize the product candidate in the United States. It is difficult to predict the penetration, future growth rate or size of the market for Microbot's product candidates.

The commercial success of the SCS and TipCAT will require broad acceptance of the devices by the doctors and other medical professionals who specialize in the procedures targeted by each device, a limited number of whom may be able to influence device selection and purchasing decisions. If Microbot's technologies are not broadly accepted and perceived as having significant advantages over existing medical devices, then it will not meet its business objectives. Such perceptions are likely to be based on a determination by medical facilities and physicians that Microbot's product candidates are safe and effective, are cost-effective in comparison to existing devices, and represent acceptable methods of treatment. Microbot cannot assure that it will be able to establish the relationships and arrangements with medical facilities and physicians necessary to support the market uptake of its product candidates. In addition, its competitors may develop new technologies for the same markets Microbot is targeting that are more attractive to medical facilities and physicians. If doctors and other medical professionals do not consider Microbot product candidates to be suitable for application in the procedures we are targeting and an improvement over the use of existing or competing products, Microbot's business goals will not be realized.

Customers will be unlikely to buy the SCS or the TipCAT unless Microbot can demonstrate that they can be produced for sale to consumers at attractive prices.

To date, Microbot has focused primarily on research and development of the first generation versions of the SCS and the TipCAT. Consequently, Microbot has no experience in manufacturing its product candidates, and intends to manufacture its product candidates through third-party manufacturers. Microbot can offer no assurance that either it or its manufacturing partners will develop efficient, automated, low-cost manufacturing capabilities and processes to meet the quality, price, engineering, design and production standards or production volumes required to successfully mass produce its commercial products. Even if its manufacturing partners are successful in developing such manufacturing capability and quality processes, including the assurance of GMP-compliant device manufacturing, there can be no assurance that Microbot can timely meet its product commercialization schedule or the production and delivery requirements of potential customers. A failure to develop such manufacturing processes and capabilities could have a material adverse effect on Microbot's business and financial results.

The proposed price of Microbot's product candidates, once approved for sale, will be dependent on material and other manufacturing costs. Microbot cannot offer any assurances that its manufacturing partner will be able manufacture its product candidates at a competitive price or that achieving cost reductions will not cause a reduction in the performance, reliability and longevity of its product candidates.

Microbot has relied on, and intends to continue to rely on, third-party manufacturers to produce its product candidates.

Microbot currently relies, and expects to rely for the foreseeable future, on third-party manufacturers to produce and supply its product candidates, and it expects to rely on third parties to manufacture the commercialized products as well, should they receive the necessary regulatory clearance or approval. Reliance on third-party manufacturers entails risks to which Microbot would not be subject if Microbot manufactured its product candidates or future commercial products itself, including:

- limitations on supply availability resulting from capacity, internal operational problems or scheduling constraints of third parties;
- potential regulatory non-compliance or other violations by the third-party manufacturer that could result in quality assurance issues or government enforcement action that has a negative effect on Microbot's product candidates and distribution strategy;
- the possible breach of manufacturing agreements by third parties because of various factors beyond Microbot's control; and
- the possible termination or non-renewal of manufacturing agreements by third parties for various reasons beyond Microbot's control, at a time that is costly or inconvenient to Microbot.

If Microbot is not able to maintain its key manufacturing relationships, Microbot may fail to find replacement manufacturers or develop its own manufacturing capabilities, which could delay or impair Microbot's ability to obtain regulatory clearance or approval for its product candidates and could substantially increase its costs or deplete profit margins, if any. If Microbot does find replacement manufacturers, Microbot may not be able to enter into agreements with them on terms and conditions favorable to it and there could be a substantial delay before new facilities could be qualified and registered with the FDA and other foreign regulatory authorities.

If Microbot's product candidates are not considered to be a safe and effective alternative to existing technologies, Microbot will not be commercially successful.

The SCS and TipCAT rely on new technologies, and Microbot's success will depend on acceptance of these technologies by the medical community as safe, clinically effective, cost effective and a preferred device as compared to products of its competitors. Microbot does not have long-term data regarding efficacy, safety and clinical outcomes associated with the use of SCS or TipCAT. Any data that is generated in the future may not be positive or may not support the product candidates' regulatory dossiers, which would negatively affect market acceptance and the rate at which its product candidates are adopted. Equally important will be physicians' perceptions of the safety of Microbot's product candidates because Microbot's technologies are relatively new. If, over the long term, Microbot's product candidates do not meet surgeons' expectations as to safety, efficacy and ease of use, they may not become widely adopted.

Market acceptance of Microbot's product candidates will also be affected by other factors, including Microbot's ability to convince key opinion leaders to provide recommendations regarding its product candidates; convince distributors that its technologies are attractive alternatives to existing and competing technologies; supply and service sufficient quantities of products directly or through marketing alliances; and price products competitively in light of the current macroeconomic environment, which is becoming increasingly price sensitive.

Microbot may be subject to penalties and may be precluded from marketing its product candidates if Microbot fails to comply with extensive governmental regulations.

Microbot believes that its medical device product candidates will be categorized as Class II devices, which typically require a 510(k) or 510(k) de-novo premarket submission to the FDA. However, the FDA has not made any determination about whether Microbot's medical product candidates are Class II medical devices and may disagree with that classification. If the FDA determines that Microbot's product candidates should be reclassified as Class III medical devices, Microbot could be precluded from marketing the devices for clinical use within the United States for months, years or longer, depending on the specifics of the change in classification. Reclassification of any of Microbot's product candidates as Class III medical devices could significantly increase Microbot's regulatory costs, including the timing and expense associated with required clinical trials and other costs.

The FDA and non-U.S. regulatory authorities require that Microbot product candidates be manufactured according to rigorous standards. These regulatory requirements significantly increase Microbot's production costs, which may prevent Microbot from offering products within the price range and in quantities necessary to meet market demands. If Microbot or one of its third-party manufacturers changes an approved manufacturing process, the FDA may need to review the process before it may be used. Failure to comply with applicable pre-market and post-market regulatory requirements could subject Microbot to enforcement actions, including warning letters, fines, injunctions and civil penalties, recall or seizure of its products, operating restrictions, partial suspension or total shutdown of its production, and criminal prosecution.

If Microbot is not able to both obtain and maintain adequate levels of third-party reimbursement for procedures involving its product candidates after they are approved for marketing and launched commercially, it would have a material adverse effect on Microbot's business.

Healthcare providers and related facilities are generally reimbursed for their services through payment systems managed by various governmental agencies worldwide, private insurance companies, and managed care organizations. The manner and level of reimbursement in any given case may depend on the site of care, the procedure(s) performed, the final patient diagnosis, the device(s) utilized, available budget, or a combination of these factors, and coverage and payment levels are determined at each payor's discretion. The coverage policies and reimbursement levels of these third-party payors may impact the decisions of healthcare providers and facilities regarding which medical products they purchase and the prices they are willing to pay for those products. Microbot cannot assure you that its sales will not be impeded and its business harmed if third-party payors fail to provide reimbursement for Microbot products that healthcare providers view as adequate.

In the United States, Microbot expects that its product candidates, once approved, will be purchased primarily by medical institutions, which then bill various third-party payors, such as the Centers for Medicare & Medicaid Services, or CMS, which administers the Medicare program through Medicare Administrative Contractors, and other government health care programs and private insurance plans, for the healthcare products and services provided to their patients. The process involved in applying for coverage and incremental reimbursement from CMS is lengthy and expensive. Moreover, many private payors look to CMS in setting their reimbursement policies and amounts. If CMS or other agencies limit coverage for procedures utilizing Microbot's products or decrease or limit reimbursement payments for doctors and hospitals utilizing Microbot's products, this may affect coverage and reimbursement determinations by many private payors.

If a procedure involving a medical device is not reimbursed separately by a government or private insurer, then a medical institution would have to absorb the cost of Microbot's products as part of the cost of the procedure in which the products are used. At this time, Microbot does not know the extent to which medical institutions would consider insurers' payment levels adequate to cover the cost of its products. Failure by hospitals and surgeons to receive an amount that they consider to be adequate reimbursement for procedures in which Microbot products are used could deter them from purchasing Microbot products and limit sales growth for those products.

Microbot has no control over payor decision-making with respect to coverage and payment levels for its medical device product candidates, once they are approved. Additionally, Microbot expects many payors to continue to explore cost-containment strategies (e.g., comparative and cost-effectiveness analyses, so-called "pay-for-performance" programs implemented by various public government health care programs and private third-party payors, and expansion of payment bundling initiatives, and other such methods that shift medical cost risk to providers) that may potentially impact coverage and/or payment levels for Microbot's current product candidates or products Microbot develops in the future.

As Microbot's product offerings are used across diverse healthcare settings, they will be affected to varying degrees by the different payment systems.

Clinical outcome studies for the SCS may not provide sufficient data to make Microbot's product candidates the standard of care.

Microbot's business plan relies on the broad adoption by surgeons of the SCS for primary shunt placement procedures to prevent shunt occlusions. Although Microbot believes the occurrence of shunt occlusion complications is well known among physicians practicing in the relevant medical fields, SCS may be adopted for replacement shunt surgeries only. Neurosurgeons may adopt SCS for primary shunt placement procedures only upon additional clinical studies with longer follow up periods, if at all. It may also be necessary to provide outcome studies on the preventative capabilities of the SCS in order to convince the medical community of its safety and efficacy. Clinical studies may not show an advantage in SCS based procedures in a timely manner, or at all, and outcome studies have not been designed at this time, and may be too large and too costly for Microbot to conduct. Both situations could prevent broad adoption of the SCS and materially impact Microbot's business.

Microbot products may in the future be subject to mandatory product recalls that could harm its reputation, business and financial results.

The FDA and similar foreign governmental authorities have the authority to require the recall of commercialized products in the event of material deficiencies or defects in design or manufacture that could pose a risk of injury to patients. In the case of the FDA, the authority to require a recall must be based on an FDA finding that there is a reasonable probability that the device would cause serious injury or death, although in most cases this mandatory recall authority is not used because manufacturers typically initiate a voluntary recall when a device violation is discovered. In addition, foreign governmental bodies have the authority to require the recall of Microbot products in the event of material deficiencies or defects in design or manufacture. Manufacturers may, under their own initiative, recall a product if any material deficiency in a device is found. A government-mandated or voluntary recall by Microbot or one of its distributors could occur as a result of component failures, manufacturing errors, design or labeling defects or other deficiencies and issues. Recalls of any Microbot products would divert managerial and financial resources and have an adverse effect on Microbot's financial condition and results of operations, and any future recall announcements could harm Microbot's reputation with customers and negatively affect its sales. In addition, the FDA could take enforcement action, including any of the following sanctions for failing to timely report a recall to the FDA:

- untitled letters, warning letters, fines, injunctions, consent decrees and civil penalties;
- detention or seizure of Microbot products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing or delaying requests for 510(k) clearance or premarket approval of new products or modified products;
- withdrawing 510(k) clearances or other types of regulatory authorizations -that have already been granted;
- refusing to grant export approval for Microbot products; or
- criminal prosecution.

If Microbot's future commercialized products cause or contribute to a death or a serious injury, Microbot will be subject to Medical Device Reporting regulations, which can result in voluntary corrective actions or agency enforcement actions.

Under FDA regulations, Microbot will be required to report to the FDA any incident in which a marketed medical device product may have caused or contributed to a death or serious injury or in which a medical device malfunctioned and, if the malfunction were to recur, would likely cause or contribute to death or serious injury. In addition, all manufacturers placing medical devices in European Union markets are legally bound to report any serious or potentially serious incidents involving devices they produce or sell to the relevant authority in whose jurisdiction the incident occurred.

Microbot anticipates that in the future it is likely that we may experience events that would require reporting to the FDA pursuant to the Medical Device Reporting (MDR) regulations. Any adverse event involving a Microbot product could result in future voluntary corrective actions, such as product actions or customer notifications, or agency actions, such as inspection, mandatory recall or other enforcement action. Any corrective action, whether voluntary or involuntary, as well as defending Microbot in a lawsuit, will require the dedication of our time and capital, distract management from operating our business, and may harm our reputation and financial results.

Microbot could be exposed to significant liability claims if Microbot is unable to obtain insurance at acceptable costs and adequate levels or otherwise protect itself against potential product liability claims.

The testing, manufacture, marketing and sale of medical devices entail the inherent risk of liability claims or product recalls. Product liability insurance is expensive and may not be available on acceptable terms, if at all. A successful product liability claim or product recall could inhibit or prevent the successful commercialization of Microbot's products, cause a significant financial burden on Microbot, or both, which in any case could have a material adverse effect on Microbot's business and financial condition.

The results of Microbot's research and development efforts are uncertain and there can be no assurance of the commercial success of Microbot's product candidates.

Microbot believe that its success will depend in part on its ability to expand its product offerings and continue to improve its existing product candidates in response to changing technologies, customer demands and competitive pressures. As such, Microbot expects to continue dedicating significant resources in research and development. The product candidates and services being developed by Microbot may not be technologically successful. In addition, the length of Microbot's product candidates and service development cycle may be greater than Microbot originally expected.

If Microbot fail to retain certain of its key personnel and attract and retain additional qualified personnel, Microbot might not be able to pursue its growth strategy effectively.

Microbot is dependent on its senior management, in particular Harel Gadot, Microbot's Chairman, President and Chief Executive Officer. Although Microbot believes that its relationship with members of its senior management is positive, there can be no assurance that the services of any of these individuals will continue to be available to Microbot in the future. Microbot's future success will depend in part on its ability to retain its management and scientific teams, to identify, hire and retain additional qualified personnel with expertise in research and development and sales and marketing, and to effectively provide for the succession of senior management, when necessary. Competition for qualified personnel in the medical device industry is intense and finding and retaining qualified personnel with experience in the industry is very difficult. Microbot believes that there are only a limited number of individuals with the requisite skills to serve in key positions at Microbot, particularly in Israel, and it competes for key personnel with other medical equipment and technology companies, as well as research institutions.

Microbot does not carry, and does not intend to carry, any key man life insurance policies on any of its existing executive officers.

Risks Relating to International Business

If Microbot fails to obtain regulatory clearances in other countries for its product candidates under development, Microbot will not be able to commercialize these product candidates in those countries.

In order for Microbot to market its product candidates in countries other than the United States, it must comply with the safety and quality regulations in such countries.

In Europe, these regulations, including the requirements for approvals, clearance or grant of Conformité Européenne, or CE, Certificates of Conformity and the time required for regulatory review, vary from country to country. Failure to obtain regulatory approval, clearance or CE Certificates of Conformity (or equivalent) in any foreign country in which Microbot plans to market its product candidates may harm its ability to generate revenue and harm its business. Approval and CE marking procedures vary among countries and can involve additional product testing and additional administrative review periods. The time required to obtain approval or CE Certificate of Conformity in other countries might differ from that required to obtain FDA clearance. The regulatory approval or CE marking process in other countries may include all of the risks detailed above regarding FDA clearance in the United States. Regulatory approval or the CE marking of a product candidate in one country does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval or a CE Certificate of Conformity in one country may negatively impact the regulatory process in others. Failure to obtain regulatory approval or a CE Certificate of Conformity in other countries or any delay or setback in obtaining such approval could have the same adverse effects described above regarding FDA clearance in the United States.

Microbot cannot be certain that it will be successful in complying with the requirements of the CE Certificate of Conformity and receiving a CE Mark for its product candidates or in continuing to meet the requirements of the Medical Devices Directive in the European Economic Area (EEA).

Israel's Medical Devices Law generally requires the registration of all medical products with the Ministry of Health, or MOH, Registrar through the submission of an application to the Ministry of Health Medical Institutions and Devices Licensing Department, or AMAR. If the application includes a certificate issued by a competent authority of a "recognized" country, which includes Australia, Canada, the European Community Member States, Japan or the United States, the registration process is expedited, but is generally still expected to take 6 to 9 months for approval. If certification from a recognized country is not available, the registration process takes significantly longer and a license is rarely issued under such circumstances, as the MOH may require the presentation of significant additional clinical data. Once granted, a license (marketing authorization) for a medical device is valid for five years from the date of registration of the device, except for implants with a life-supporting function, for which the validity is for only two years from the date of registration. Furthermore, the holder of the license must meet several additional requirements to maintain the license. Microbot cannot be certain that it will be successful in applying for a license from the MOH for its product candidates.

Microbot operations in international markets involve inherent risks that Microbot may not be able to control.

Microbot's business plan includes the marketing and sale of its proposed product candidates internationally, and specifically in Europe and Israel. Accordingly, Microbot's results could be materially and adversely affected by a variety of factors relating to international business operations that it may or may not be able to control, including:

- adverse macroeconomic conditions affecting geographies where Microbot intends to do business;
- foreign currency exchange rates;
- political or social unrest or economic instability in a specific country or region;
- higher costs of doing business in certain foreign countries;
- infringement claims on foreign patents, copyrights or trademark rights;
- difficulties in staffing and managing operations across disparate geographic areas;
- difficulties associated with enforcing agreements and intellectual property rights through foreign legal systems;
- trade protection measures and other regulatory requirements, which affect Microbot's ability to import or export its product candidates from or to various countries;
- adverse tax consequences;
- unexpected changes in legal and regulatory requirements;
- military conflict, terrorist activities, natural disasters and medical epidemics; and
- Microbot's ability to recruit and retain channel partners in foreign jurisdictions.

Microbot's financial results may be affected by fluctuations in exchange rates and Microbot's current currency hedging strategy may not be sufficient to counter such fluctuations.

Microbot's financial statements are denominated in U.S. dollars and the financial results of the Company are denominated in U.S. dollars, while a significant portion of Microbot's business is conducted, and a substantial portion of its operating expenses are payable, in currencies other than the U.S. dollar. Exchange rate fluctuations may have an adverse impact on Microbot's future revenues or expenses as presented in the financial statements. Microbot may in the future use financial instruments, such as forward foreign currency contracts, in its management of foreign currency exposure. These contracts would primarily require Microbot to purchase and sell certain foreign currencies with or for U.S. dollars at contracted rates. Microbot may be exposed to a credit loss in the event of non-performance by the counterparties of these contracts. In addition, these financial instruments may not adequately manage Microbot's foreign currency exposure. Microbot's results of operations could be adversely affected if Microbot is unable to successfully manage currency fluctuations in the future.

Risks Relating to Microbot's Intellectual Property

Microbot's right to develop and commercialize its existing product candidates are subject to the terms and condition of a license granted to Microbot by Technion Research and Development Foundation Ltd. and termination of the license with respect to one or both of the technology platforms underlying the product candidates would result in Microbot ceasing its development efforts for the applicable product candidate(s).

Microbot entered into a license agreement with Technion Research and Development Foundation Ltd., or TRDF, in 2012 pursuant to which Microbot obtained an exclusive, worldwide, royalty-bearing, sub-licensable license to certain patents and inventions relating to the SCS and TipCAT technology platforms. Pursuant to the terms of the license agreement, in order to maintain the license with respect to each platform, Microbot must use commercially reasonable efforts to develop products covered by the license, including meeting certain agreed upon development milestones. TRDF has the option to terminate a license granted with respect a particular technology in the event Microbot fails to meet a development milestone associated with such technology. Therefore, the failure to meet development milestones may lead to a complete termination of the applicable license agreement and result in Microbot ceasing its development efforts for the applicable product candidate. The milestones for SCS include commencing initial studies in humans by December 2018 and commencing a clinical trial, if necessary, by December 2019. The milestones for TipCAT include commencing initial studies in humans by December 2018 and commencing a full clinical trial, if necessary, by December 2020. Failure to meet any development milestone will give TRDF the right to terminate the license with respect to the technology underlying the missed milestone. Although Microbot expects to meet the milestone requirements, TRDF has demonstrated flexibility with respect to amending the terms of the license to extend the milestone dates.

Under the license agreement, Microbot is also subject to various other obligations, including obligations with respect to payment upon the achievement of certain milestones and royalties on product sales. TRDF may terminate the license agreement under certain circumstances, including material breaches by Microbot or under certain bankruptcy or insolvency events. In the case of termination of the license by Microbot without cause or by TRDF for cause, TRDF has the right to receive a non-exclusive license from Microbot with respect to improvements to the licensed technologies made by Microbot.

If TRDF were to terminate the license agreement or if Microbot was to otherwise lose the ability to exploit the licensed patents, Microbot's competitive advantage could be reduced or terminated, and Microbot will likely not be able to find a source to replace the licensed technology.

However, if there is any future dispute between Microbot and TRDF regarding the respective parties' rights under the license agreement, Microbot's ability to develop and commercialize the SCS and TipCAT may be materially harmed.

Microbot may not meet its product candidates' development and commercialization objectives in a timely manner or at all.

Microbot has established internal goals, based upon expectations with respect to its technologies, which Microbot has used to assess its progress toward developing its product candidates. These goals relate to technology and design improvements as well as to dates for achieving specific development results. If the product candidates exhibit technical defects or are unable to meet cost or performance goals, Microbot's commercialization schedule could be delayed and potential purchasers of its initial commercialized products may decline to purchase such products or may opt to pursue alternative products, which would materially harm its business.

Intellectual property litigation and infringement claims could cause Microbot to incur significant expenses or prevent Microbot from selling certain of its product candidates.

The medical device industry is characterized by extensive intellectual property litigation. From time to time, Microbot might be the subject of claims by third parties of potential infringement or misappropriation. Regardless of outcome, such claims are expensive to defend and divert the time and effort of Microbot's management and operating personnel from other business issues. A successful claim or claims of patent or other intellectual property infringement against Microbot could result in its payment of significant monetary damages and/or royalty payments or negatively impact its ability to sell current or future products in the affected category and could have a material adverse effect on its business, cash flows, financial condition or results of operations.

If Microbot or TRDF are unable to protect the patents or other proprietary rights relating to Microbot's product candidates, or if Microbot infringes on the patents or other proprietary rights of others, Microbot's competitiveness and business prospects may be materially damaged.

Microbot's success depends on its ability to protect its intellectual property (including its licensed intellectual property) and its proprietary technologies. Microbot's commercial success depends in part on its ability to obtain and maintain patent protection and trade secret protection for its product candidates, proprietary technologies, and their uses, as well as its ability to operate without infringing upon the proprietary rights of others.

Microbot currently holds, through licenses or otherwise, an intellectual property portfolio that includes U.S. and international patents and pending patents, and other patents under development. Microbot intends to continue to seek legal protection, primarily through patents, including the TRDF licensed patents, for its proprietary technology. Seeking patent protection is a lengthy and costly process, and there can be no assurance that patents will be issued from any pending applications, or that any claims allowed from existing or pending patents will be sufficiently broad or strong to protect its proprietary technology. There is also no guarantee that any patents Microbot holds, through licenses or otherwise, will not be challenged, invalidated or circumvented, or that the patent rights granted will provide competitive advantages to Microbot. Microbot's competitors have developed and may continue to develop and obtain patents for technologies that are similar or superior to Microbot's technologies. In addition, the laws of foreign jurisdictions in which Microbot develops, manufactures or sells its product candidates may not protect Microbot's intellectual property rights to the same extent as do the laws of the United States.

Adverse outcomes in current or future legal disputes regarding patent and other intellectual property rights could result in the loss of Microbot's intellectual property rights, subject Microbot to significant liabilities to third parties, require Microbot to seek licenses from third parties on terms that may not be reasonable or favorable to Microbot, prevent Microbot from manufacturing, importing or selling its product candidates, or compel Microbot to redesign its product candidates to avoid infringing third parties' intellectual property. As a result, Microbot may be required to incur substantial costs to prosecute, enforce or defend its intellectual property rights if they are challenged. Any of these circumstances could have a material adverse effect on Microbot's business, financial condition and resources or results of operations.

Microbot has the first right, but not the obligation, to control the prosecution, maintenance or enforcement of the licensed patents from TRDF. However, there may be situations in which Microbot will not have control over the prosecution, maintenance or enforcement of the patents that Microbot licenses, or may not have sufficient ability to consult and input into the patent prosecution and maintenance process with respect to such patents. If Microbot does not control the patent prosecution and maintenance process with respect to the TRDF licensed patents, TRDF may elect to do so but may fail to take the steps that are necessary or desirable in order to obtain, maintain and enforce the licensed patents.

Microbot's ability to develop intellectual property depends in large part on hiring, retaining and motivating highly qualified design and engineering staff and consultants with the knowledge and technical competence to advance its technology and productivity goals. To protect Microbot's trade secrets and proprietary information, Microbot has entered into confidentiality agreements with its employees, as well as with consultants and other parties. If these agreements prove inadequate or are breached, Microbot's remedies may not be sufficient to cover its losses.

Dependence on patent and other proprietary rights and failing to protect such rights or to be successful in litigation related to such rights may result in Microbot's payment of significant monetary damages or impact offerings in its product portfolios.

Microbot's long-term success largely depends on its ability to market technologically competitive product candidates. If Microbot fails to obtain or maintain adequate intellectual property protection, it may not be able to prevent third parties from using its proprietary technologies or may lose access to technologies critical to our product candidates. Also, Microbot currently pending or future patent applications may not result in issued patents, and issued patents are subject to claims concerning priority, scope and other issues.

Furthermore, Microbot has not filed applications for all of our patents internationally and it may not be able to prevent third parties from using its proprietary technologies or may lose access to technologies critical to its product candidates in other countries.

Risks Relating to Operations in Israel

Microbot has facilities located in Israel, and therefore, political conditions in Israel may affect Microbot's operations and results.

Microbot has facilities located in Israel. In addition, three of its seven directors are residents of Israel. Accordingly, political, economic and military conditions in Israel will directly or indirectly affect Microbot's operations and results. Since the establishment of the State of Israel, a number of armed conflicts have taken place between Israel and its Arab neighbors. An ongoing state of hostility, varying in degree and intensity has led to security and economic problems for Israel. For a number of years there have been continuing hostilities between Israel and the Palestinians. This includes hostilities with the Islamic movement Hamas in the Gaza Strip, which have adversely affected the peace process and at times resulted in armed conflicts. Such hostilities have negatively influenced Israel's economy as well as impaired Israel's relationships with several other countries. Israel also faces threats from Hezbollah militants in Lebanon, from ISIS and rebel forces in Syria, from the government of Iran and other potential threats from additional countries in the region. Moreover, some of Israel's neighboring countries have recently undergone or are undergoing significant political changes. These political, economic and military conditions in Israel could have a material adverse effect on Microbot's business, financial condition, results of operations and future growth.

Political relations could limit Microbot's ability to sell or buy internationally.

Microbot could be adversely affected by the interruption or reduction of trade between Israel and its trading partners. Some countries, companies and organizations continue to participate in a boycott of Israeli firms and others doing business with Israel, with Israeli companies or with Israeli-owned companies operating in other countries. Foreign government defense export policies towards Israel could also make it more difficult for us to obtain the export authorizations necessary for Microbot's activities. Also, over the past several years there have been calls in Europe and elsewhere to reduce trade with Israel. There can be no assurance that restrictive laws, policies or practices directed towards Israel or Israeli businesses will not have an adverse impact on Microbot's business.

Israel's economy may become unstable.

From time to time, Israel's economy may experience inflation or deflation, low foreign exchange reserves, fluctuations in world commodity prices, military conflicts and civil unrest. For these and other reasons, the government of Israel has intervened in the economy employing fiscal and monetary policies, import duties, foreign currency restrictions, controls of wages, prices and foreign currency exchange rates and regulations regarding the lending limits of Israeli banks to companies considered to be in an affiliated group. The Israeli government has periodically changed its policies in these areas. Reoccurrence of previous destabilizing factors could make it more difficult for Microbot to operate its business and could adversely affect its business.

Exchange rate fluctuations between the U.S. dollar and the NIS currencies may negatively affect Microbot's operating costs.

A significant portion of Microbot's expenses are paid in New Israeli Shekels, or NIS, but its financial statements are denominated in U.S. dollars. As a result, Microbot is exposed to the risks that the NIS may appreciate relative to the U.S. dollar, or the NIS instead devalues relative to the U.S. dollar, and the inflation rate in Israel may exceed such rate of devaluation of the NIS, or that the timing of such devaluation may lag behind inflation in Israel. In any such event, the U.S. dollar cost of Microbot's operations in Israel would increase and Microbot's U.S. dollar-denominated results of operations would be adversely affected. Microbot cannot predict any future trends in the rate of inflation in Israel or the rate of devaluation (if any) of the NIS against the U.S. dollar.

Microbot's primary expenses paid in NIS that are not linked to the U.S. dollar are employee expenses in Israel and lease payments on its Israeli facility. If Microbot is unsuccessful in hedging against its position in NIS, a change in the value of the NIS compared to the U.S. dollar could increase Microbot's research and development expenses, labor costs and general and administrative expenses, and as a result, have a negative impact on Microbot's profits.

Funding and other benefits provided by Israeli government programs may be terminated or reduced in the future and the terms of such funding may have a significant impact on future corporate decisions.

Microbot participates in programs under the auspices of the Israeli Innovation Authority, for which it receives funding for the development of its technologies and product candidates. If Microbot fails to comply with the conditions applicable to this program, it may be required to pay additional penalties or make refunds and may be denied future benefits. From time to time, the government of Israel has discussed reducing or eliminating the benefits available under this program, and therefore these benefits may not be available in the future at their current levels or at all.

Microbot's research and development efforts from inception until now have been financed in part through such Israeli Innovation Authority royalty bearing grants in an aggregate amount of approximately $901,000 through December 31, 2016. With respect to such grants Microbot is committed to pay royalties at a rate of between 3% to 3.5% on sales proceeds up to the total amount of grants received, linked to the dollar, plus interest at an annual rate of USD LIBOR. In addition, as a recipient of Israeli Innovation Authority grants, Microbot must comply with the requirements of the Israeli Encouragement of Industrial Research and Development Law, 1984, or the R&D Law, and related regulations. Under the terms of the grants and the R&D Law, Microbot is restricted from transferring any technologies, know-how, manufacturing or manufacturing rights developed using Israeli Innovation Authority grants outside of Israel without the prior approval of Israeli Innovation Authority. Therefore, if aspects of its technologies are deemed to have been developed with Israeli Innovation Authority funding, the discretionary approval of an Israeli Innovation Authority committee would be required for any transfer to third parties outside of Israel of the technologies, know-how, manufacturing or manufacturing rights related to such aspects. Furthermore, the Israeli Innovation Authority may impose certain conditions on any arrangement under which it permits Microbot to transfer technology or development outside of Israel or may not grant such approvals at all.

If approved, the transfer of Israeli Innovation Authority -supported technology or know-how outside of Israel may involve the payment of significant fees, which will depend on the value of the transferred technology or know-how, the total amount Israeli Innovation Authority funding received by Microbot, the number of years since the funding and other factors. These restrictions and requirements for payment may impair Microbot's ability to sell its technology assets outside of Israel or to outsource or transfer development or manufacturing activities with respect to any product or technology outside of Israel. Furthermore, the amount of consideration available to Microbot's shareholders in a transaction involving the transfer of technology or know-how developed with Israeli Innovation Authority funding outside of Israel (such as through a merger or other similar transaction) may be reduced by any amounts that Microbot is required to pay to the Israeli Innovation Authority.

Some of Microbot's employees and officers are obligated to perform military reserve duty in Israel.

Generally, Israeli adult male citizens and permanent residents are obligated to perform annual military reserve duty up to a specified age. They also may be called to active duty at any time under emergency circumstances, which could have a disruptive impact on Microbot's workforce.

It may be difficult to enforce a non-Israeli judgment against Microbot or its officers and directors.

The operating subsidiary of the Company is incorporated in Israel. Some of Microbot's executive officers and directors are not residents of the United States, and a substantial portion of Microbot's assets and the assets of its executive officers and directors are located outside the United States. Therefore, a judgment obtained against Microbot, or any of these persons, including a judgment based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the United States and may not necessarily be enforced by an Israeli court. It also may be difficult to affect service of process on these persons in the United States or to assert U.S. securities law claims in original actions instituted in Israel. Additionally, it may be difficult for an investor, or any other person or entity, to initiate an action with respect to U.S. securities laws in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of U.S. securities laws reasoning that Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law often involves the testimony of expert witnesses, 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 that addresses the matters described above. As a result of the difficulty associated with enforcing a judgment against Microbot in Israel, it may be impossible to collect any damages awarded by either a U.S. or foreign court.

Risks Relating to Microbot's Securities and Governance Matters

Our executive officers and directors, through their ownership of common stock, can substantially influence the outcome of matters requiring shareholder approval and may prevent you and other stockholders from influencing significant corporate decisions, which could result in conflicts of interest that could cause the Company's stock price to decline.

Our executive officers and directors collectively beneficially own shares of Common Stock equal to approximately 41% of our outstanding shares of Common Stock. As a result, such individuals will have the ability, acting together, to substantially influence the election of our directors and the outcome of corporate actions requiring shareholder 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 articles 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 shareholders and be disadvantageous to our shareholders with interests different from those individuals. These individuals also have significant control over our business, policies and affairs as officers and/or directors of our Company. These stockholders may exert influence in delaying or preventing a change in control of the Company, even if such change in control would benefit the other stockholders of the Company. Lastly, the significant concentration of stock ownership may adversely affect the market value of the Company's common stock due to investors' perception that conflicts of interest may exist or arise. Therefore, you should not invest in reliance on your ability to have any control over the Company.

We do not expect to pay cash dividends on our common stock.

We anticipate that we will retain our earnings, if any, for future growth and therefore do not anticipate paying cash dividends on our Common Stock in the future. Investors seeking cash dividends should not invest in our Common Stock for that purpose.

Anti-takeover provisions in the Company's charter and bylaws under Delaware law may prevent or frustrate attempts by stockholders to change the board of directors or current management and could make a third-party acquisition of the Company difficult.

Provisions in the Company's certificate of incorporation and bylaws may delay or prevent an acquisition or a change in management. These provisions include a classified board of directors. In addition, because the Company is incorporated in Delaware, it is governed by the provisions of Section 203 of the DGCL, which prohibits stockholders owning in excess of 15% of outstanding voting stock from merging or combining with the Company. Although the Company believes these provisions collectively will provide for an opportunity to receive higher bids by requiring potential acquirors to negotiate with the Company's board of directors, they would apply even if the offer may be considered beneficial by some stockholders. In addition, these provisions may frustrate or prevent any attempts by the Company's stockholders to replace or remove then current management by making it more difficult for stockholders to replace members of the board of directors, which is responsible for appointing members of management.

The market price for our Common Stock may be volatile.

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

- actual or anticipated fluctuations in our quarterly or annual operating results;
- 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;
- announcements by us or our competitors of new products, acquisitions, strategic partnerships, joint ventures or capital commitments;
- our intellectual property position; and
- general economic or political conditions in the United States, Israel or elsewhere.

In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of shares of our Common Stock.

The issuance of shares upon exercise of outstanding warrants could cause immediate and substantial dilution to existing stockholders.

The issuance of shares upon exercise of warrants could result in substantial dilution to the interests of other stockholders since the holders of such warrants may ultimately convert and sell the full amount issuable on conversion.

Risks Relating to the Merger

Because our determination to purchase Microbot Israel was based in part on certain financial and other projections about future results, and projections are subject to inherent risks and uncertainties, the Merger consideration may be greater than the fair market value of Microbot Israel.

Microbot Israel provided financial and other projections to us in connection with the determination to purchase Microbot Israel and the consideration to be paid for Microbot Israel, and we relied in part on Microbot Israel's projections for purposes of valuing Microbot Israel and agreeing on the purchase price. The valuation was not necessarily indicative of the actual value of Microbot Israel. Accordingly, if actual financial results in the future are lower than the projections we relied upon, the consideration may be greater than the fair market value of Microbot Israel, as acquired.

We can give no assurance that the financial and other projections we relied upon are accurate and will be met in the future because the projections reflect numerous estimates and assumptions with respect to industry performance, general business, economic, regulatory, market and financial conditions and other matters, all of which are difficult to predict and many of which are beyond Microbot Israel's and our control. As a result, actual results may differ materially from these projections. It is expected that there will be differences between actual and projected results because the projections covered multiple years and such information by its nature becomes less reliable with each successive year.

If the benefits of the acquisition of Microbot Israel do not meet the expectations of the marketplace, or financial or industry analysts, the market price of our common stock may decline.

The market price of our common stock may decline as a result of the Merger if the Microbot Israel subsidiary does not perform as expected or we do not otherwise achieve the perceived benefits of the Merger as rapidly as, or to the extent anticipated by the marketplace or financial or industry analysts. Accordingly, investors may experience a loss as a result of a decreasing stock price and we may not be able to raise future capital, if necessary, in the equity markets.

Any weakness in internal control over financial reporting or disclosure controls and procedures could result in a loss of investor confidence in our financial reports and lead to a stock price decline.

We are required to evaluate our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 and report the results in our annual report on Form 10-K. We are also required to maintain effective disclosure controls and procedures. After the acquisition of Microbot Israel, our internal controls and our disclosure controls and procedures will need to expand to encompass activities related to those assets. If material weakness arise as a result and they are not remedied, we will be unable to assert that our internal controls are effective. Any failure to have effective internal control over financial reporting or disclosure controls and procedures covering the combined business post-Merger could cause investors to lose confidence in the accuracy and completeness of our financial reports, limit our ability to raise financing or lead to regulatory sanctions, any of which could result in a material adverse effect on our business or decline in the market price of our common stock.

Item 1B. Unresolved Staff Comments

Not Applicable.

Item 2. Description of Property.

Microbot's principal executive office is located at 25 Recreation Drive, Unit 108, Hingham, MA 02043. Microbot also has facilities in premises of approximately 1,840 square feet at 5 Hamada Street, 2nd Floor, Yokneam, Israel. Microbot plans to relocate to a larger facility in Israel within the next 8-18 months, which will provide the space and infrastructure necessary to accommodate its development work based on its current operating plan. Microbot does not own any real property.

Item 3. Legal Proceedings.

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

We are not currently a party in any legal proceeding or governmental regulatory proceeding nor are we currently aware of any pending or potential legal proceeding or governmental regulatory proceeding proposed to be initiated against us that would have a material adverse effect on us or 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

Our common stock is listed on the NASDAQ Capital Market under the symbol "MBOT" since November 29, 2016. Prior to that, our common stock was traded under the symbol "STEM." The following table sets forth for the periods indicated, the high and low closing prices of our common stock on the NASDAQ Capital Market.

	High	Low
Year Ended December 31, 2016:		
1st Quarter	$ 46.33	$ 27.10
2nd Quarter(1)	5.24	3.26
3rd Quarter	23.40	3.24
4th Quarter(2)	12.69	5.85

	High	Low
Year Ended December 31, 2015:		
1st Quarter	$ 149.04	$ 105.30
2nd Quarter	109.09	54.43
3rd Quarter	63.72	41.04
4th Quarter	59.40	42.12

(1) The Company effected a 1-for-12 reverse stock split on May 6, 2016.
(2) The Company effected a 1-for-9 reverse stock split on November 28, 2016.

As of March 16, 2017 there were approximately 245 holders of record of our common stock, and the closing sales price of our common stock as reported on the NASDAQ Capital Market was $6.11.

Dividend Policy

We have never paid cash dividends on our common stock and we do not anticipate paying cash dividends on common stock in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition, debt covenants in place, and other business and economic factors affecting us at such time as our Board of Directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on a stockholders' investment will only occur if our stock price appreciates.

Equity Compensation Plan Information Table

The following table provides information about shares of our common stock that may be issued upon the exercise of options under all of our existing compensation plans as of December 31, 2016.

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			
2013 Equity Incentive Plan	791	$ 1,120.50	–(1)
Equity compensation plans not approved by security holders			
Microbot Israel Employee Stock Option Plan(2)	1,447,223	$ 0	–
Stock Options(3)	1,167,693	$ 0.28	–
Total	2,615,707		–

(1) The Company does not intend to grant any additional securities under this Plan.
(2) Such options were originally issued by Microbot Israel under its Employee Stock Option Plan, and represented the right to purchase an aggregate of 500,000 of Microbot Israel's ordinary shares. As of the effective time of the Merger, such options were retroactively adjusted to reflect the Merger and now represent the right to purchase shares of our common stock.

(3) Such options were originally issued by Microbot Israel to MEDX Ventures Group LLC, of which Mr. Gadot is the Chief Executive Officer, Company Group Chairman and majority equity owner, and represented the right to purchase an aggregate of 403,592 of Microbot Israel's ordinary shares. As of the effective time of the Merger, such options were retroactively adjusted to reflect the Merger and now represent the right to purchase shares of our common stock.

Recent Sales of Unregistered Securities

In connection with the Merger, the Company issued an aggregate of 26,644,979 shares of Common Stock to the existing shareholders of Microbot Israel and assumed options to purchase an aggregate of 2,614,916 shares of common stock to the existing optionholders of Microbot Israel. Additionally, the Company issued an aggregate of 7,802,639 restricted shares of its Common Stock or rights to receive Common Stock, to certain advisors. Such sales were exempt from registration under Section 4(a)(2) and Regulation D under the Securities Act of 1933, as amended, and the rules promulgated thereunder.

On December 27, 2016, the Company exchanged approximately 9,735,925 shares or rights to acquire shares of its common stock, for approximately 9,736 shares of a newly designated class of Series A Convertible Preferred Stock, par value $0.01 per share. The issuance of the 9,736 shares of Preferred Stock was exempt from registration under Section 4(a)(2) and/or 3(a)(9) under the Securities Act of 1933, as amended, and the rules promulgated thereunder.

Item 6. Selected Financial Data.

This item is not required for a smaller reporting company.

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

Forward Looking Statements

Certain information contained in this MD&A includes "forward-looking statements." Statements which are not historical reflect our current expectations and projections about our future results, performance, liquidity, financial condition and results of operations, prospects and opportunities and are based upon information currently available to us and our management and their interpretation of what is believed to be significant factors affecting our existing and proposed business, including many assumptions regarding future events. Actual results, performance, liquidity, financial condition and results of operations, prospects and opportunities could differ materially and perhaps substantially from those expressed in, or implied by, these forward-looking statements as a result of various risks, uncertainties and other factors, including those risks described in detail in the section of this Annual Report on Form 10-K entitled "Risk Factors" as well as elsewhere in this Annual Report.

Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words "may," "should," "would," "will," "could," "scheduled," "expect," "anticipate," "estimate," "believe," "intend," "seek," or "project" or the negative of these words or other variations on these words or comparable terminology.

In light of these risks and uncertainties, and especially given the nature of our existing and proposed business, there can be no assurance that the forward-looking statements contained in this section and elsewhere in this Annual Report on Form 10-K will in fact occur. Potential investors should not place undue reliance on any forward-looking statements. Except as expressly required by the federal securities laws, there is no undertaking to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

Overview

Microbot is a pre-clinical medical device company specializing in the research, design and development of next generation micro-robotics assisted medical technologies targeting the minimally invasive surgery space. Microbot is primarily focused on leveraging its micro-robotic technologies with the goal of improving surgical outcomes for patients.

Microbot is currently developing its first two product candidates: the Self Cleaning Shunt, or SCS, for the treatment of hydrocephalus and Normal Pressure Hydrocephalus, or NPH; and TipCAT, a self-propelling, semi-disposable endoscope that is being developed initially for use in colonoscopy procedures. Microbot's product candidates are being designed to bring greater functionality to conventional medical devices and to reduce the known risks associated with such devices. Microbot is currently aiming to complete pre-clinical studies required for regulatory submission for both product candidates within the next 24 months.

Microbot has no products approved for commercial sale and has not generated any revenues from product sales since its inception in 2010. From inception to December 31, 2016, Microbot has raised cash proceeds of approximately $6,300,000 to fund operations, primarily from government grants, loans, and private placement offerings of debt and equity securities.

Microbot has never been profitable and has incurred significant operating losses in each year since inception. Net losses for the years ended December 31, 2016 and 2015 were approximately $9,663,000 and $921,000, respectively. Substantially all of Microbot's operating losses resulted from expenses incurred in connection with its research and development programs and from general and administrative costs associated with its operations. As of December 31, 2016, Microbot had a net working capital of approximately $2,532,000, consisting primarily of cash and cash equivalents. Microbot expects to continue to incur significant expenses and increasing operating losses for at least the next several years as it continues the clinical development of, and seeks regulatory approval for its product candidates. Accordingly, Microbot will continue to require substantial additional capital to continue its clinical development and potential commercialization activities, however, at this time it believes that its net cash will be sufficient to fund its operations for at least 12 months and fund operations necessary to continue development activities of the SCS and TipCAT. The amount and timing of Microbot's future funding requirements will depend on many factors, including the timing and results of its clinical development efforts.

Estimated completion dates and costs for Microbot's clinical development and research programs can vary significantly for each current and future product candidate and are difficult to predict. As a result, Microbot cannot estimate with any degree of certainty the costs it will incur in connection with development of its product candidates at this point in time. Microbot anticipates it will make determinations as to which programs and product candidates to pursue and how much funding to direct to each program and product candidate on an ongoing basis in response to the scientific success of early research programs, results of ongoing and future clinical trials, its ability to enter into collaborative agreements with respect to programs or potential product candidates, as well as ongoing assessments as to each current or future product candidate's commercial potential.

Financial Operations Overview

Research and Development Expenses

Research and development expenses consist primarily of salaries and related expenses and overhead for Microbot's research, development and engineering personnel, prototype materials and research studies, obtaining and maintaining Microbot's patent portfolio. Microbot expenses its research and development costs as incurred.

General and Administrative Expenses

General and administrative expenses consist primarily of the costs associated with management costs , professional fees for accounting, auditing, consulting and legal services, and allocated overhead expenses.

Microbot expects that its general and administrative expenses may increase in the future as it expands its operating activities, maintains and expands its patent portfolio and incurs additional costs associated with the Merger, the preparation of becoming a public company and maintaining compliance with exchange listing and SEC requirements. Microbot expects these potential increases will likely include management costs, legal fees, accounting fees, directors' and officers' liability insurance premiums and expenses associated with investor relations.

Income Taxes

Microbot has incurred net losses and has not recorded any income tax benefits for the losses. It is still in its development stage and has not yet generated revenues, therefore, it is more likely than not that sufficient taxable income will not be available for the tax losses to be utilized in the future.

Critical Accounting Policies and Significant Judgments and Estimates

Microbot's management's discussion and analysis of its financial condition and results of operations are based on its financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these financial statements requires Microbot to make estimates and judgments that affect the reported amounts of assets, liabilities, and expenses and the disclosure of contingent assets and liabilities at the date of the financial statements. On an ongoing basis, Microbot evaluates its estimates and judgments, including those related to accrued research and development expenses. Microbot bases its estimates on historical experience, known trends and events, and various other factors that are believed to be 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 materially from these estimates under different assumptions or conditions.

While Microbot's significant accounting policies are described in more detail in the notes to its financial statements, Microbot believes the following accounting policies are the most critical for fully understanding and evaluating its financial condition and results of operations.

Foreign Currency Translation

Microbot's functional currency is the U.S. dollars, and its reporting currency is the U.S. dollar.

Government Grant and Input Tax Credit Recoveries

Microbot from time to time has received, and may in the future continue to receive, grants from the Israeli Innovation Authority to cover eligible company expenditures. These are presented as other income in the statement of operations and comprehensive loss as the grant funds are used for or applied towards a number of Microbot's operating expenses, such as salaries and benefits, research and development and professional and consulting fees. The recoveries are recognized in the corresponding period when such expenses are incurred.

Research and Development Expenses

Microbot recognizes research and development expenses as incurred, typically estimated based on an evaluation of the progress to completion of specific tasks using data such as clinical site activations, manufacturing steps completed, or information provided by vendors on their actual costs incurred. Microbot determines the estimates by reviewing contracts, vendor agreements and purchase orders, and through discussions with internal clinical personnel and external service providers as to the progress or stage of completion of trials or services and the agreed-upon fee to be paid for such services. These estimates are made as of each balance sheet date based on facts and circumstances known to Microbot at that time. If the actual timing of the performance of services or the level of effort varies from the estimate, Microbot will adjust the estimate accordingly. Nonrefundable advance payments for goods and services, including fees for process development or manufacturing and distribution of clinical supplies that will be used in future research and development activities, are capitalized as prepaid expenses and recognized as expense in the period that the related goods are consumed or services are performed.

Microbot may pay fees to third-parties for manufacturing and other services that are based on contractual milestones that may result in uneven payment flows. There may be instances in which payments made to vendors will exceed the level of services provided and result in a prepayment of the research and development expense.

Results of Operations

Comparison of Years Ended December 31, 2016 and 2015

The following table sets forth the key components of Microbot's results of operations for the years ended December 31, 2016 and 2015 (in thousands):

	Years Ended December 31,		Increase/
	2016	2015	(Decrease)
Research and development expenses	$ 901	$ 823	$ 78
General and administrative expenses	8,734	92	8,642
Financing expenses	28	6	22

Research and Development Expenses. Microbot's research and development expenses were approximately $948,000 for the year ended December 31, 2016, compared to approximately $823,000 for the same period in 2015. The increase in research and development expenses of approximately $78,000 in 2016 was primarily due to an increase in the cost of materials. Microbot expects its research and development expenses to increase over time as Microbot advances its development programs and begins pre-clinical and clinical trials for SCS and TipCAT.

General and Administrative Expenses. General and administrative expenses were approximately $8,734,000 for the year ended December 31, 2016, compared to approximately $92,000 for the same period in 2015. The substantial increase in general and administrative expenses of approximately $8,642,000 in 2016 was primarily due to share based compensation of $676,000, and shares for services issued to consultants relating to our merger with Microbot Medical Ltd., an Israeli company, in November 2016 of approximately $7,258,000, as well as legal and professional services paid mainly due to the merger activities. Microbot believes its general and administrative expenses may increase over time as it advances its programs, increases its headcount and operating activities and incurs expenses associated with being a public company.

Financing Expenses. Financing expenses were approximately $28,000 for the year ended December 31, 2016, compared to income of approximately $6,000 for the same period in 2015. The net increase in financial expenses was primarily due to revaluation and interest of Microbot's convertible loans and changes in fair value of derivative warrants and currency exchange differences.

Liquidity and Capital Resources

Microbot has incurred losses since inception and negative cash flows from operating activities for the years ended December 31, 2016 and 2015. As of December 31, 2016, Microbot had a net working capital of approximately $2,495,000, consisting primarily of cash and cash equivalents. Microbot anticipates that it will continue to incur net losses for the foreseeable future as it continues research and development efforts of its product candidates, hires additional staff, including clinical, scientific, operational, financial and management personnel, and incurs additional costs associated with being a public company.

Microbot has funded its operations through the issuance of capital stock, grants from the Israeli Innovation Authority, and convertible debt. As of December 31, 2016, Microbot raised total cash proceeds of approximately $6,300,000, had a shareholders' deficit of approximately $9,663,000 and incurred a total cumulative loss of approximately $13,035,000 from inception (November 2010) to December 31, 2016.

As a result of the sale of certain of the assets of StemCells, on November 29, 2016, Microbot raised approximately $2.8 million in cash, after taking into account the payment of $495,000 to certain StemCells employees but excluding $400,000 held in escrow to satisfy any indemnification claims of the buyer of the assets. Additionally, subsequent to December 31, 2016, we sold an aggregate of 700,000 shares of our common stock for net proceeds, after deducting placement agent fees and expenses, of approximately $3.25 million. As a result of such cash, Microbot believes that its net cash will be sufficient to fund its operations for at least 12 months and fund operations necessary to continue development activities of the SCS and TipCAT.

Microbot plans to continue to fund its research and development and other operating expenses, other development activities relating to additional product candidates, and the associated losses from operations, through future issuances of debt and/or equity securities and possibly additional grants from the Israeli Innovation Authority. The capital raises from issuances of convertible debt and equity securities could result in additional dilution to Microbot's shareholders. In addition, to the extent Microbot determines to incur additional indebtedness, Microbot's incurrence of additional debt could result in debt service obligations and operating and financing covenants that would restrict its operations. Microbot can provide no assurance that financing will be available in the amounts it needs or on terms acceptable to it, if at all. If Microbot is not able to secure adequate additional working capital when it becomes needed, it may be required to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible and/or suspend or curtail planned research programs. Any of these actions could materially harm Microbot's business.

Cash Flows

The following table provides a summary of the net cash flow activity for each of the periods set forth below (in thousands):

	Years ended December 31,	
	2016	**2015**
Net cash used in operating activities	$(786)	$(765)
Net cash used in investing activities	(25)	(2)
Net cash provided by financing activities	3,083	413
Net increase (decrease) in cash and cash equivalents	$2,272	$(354)

Comparison of the Years Ended December 31, 2016 and 2015

Cash used in operating activities for the year ended December 31, 2016 was approximately $786,000, calculated by adjusting net loss from operations by approximately $9,663,000 to eliminate non-cash and expense items not involving cash flows such as depreciation and accumulated interest on convertible loans, as well as other changes in assets and liabilities resulting in non-cash adjustments in the income statement. Cash used in operating activities for the year ended December 31, 2015 was approximately $765, similarly adjusted by approximately $921,000. Net cash provided by financing activities of approximately $3,083,000 for the year ended December 31, 2016 consisted of proceeds from the sale of convertible promissory notes to existing shareholders of Microbot and net proceeds from assets and liabilities acquired as a result of the merger which was accounted for as a reverse capitalization, compared to approximately $2,002,000 in the year ended December 31, 2015.

Off Balance Sheet Arrangements

Microbot has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations

In the table below, we set forth our legally binding and enforceable contractual cash obligations at December 31, 2016 (in thousands).

	Payments due by period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt obligations	$ 2,029	$ –	$ 2,029	$ –	$ –
Capital lease obligations	90	30	60	–	–
Operating lease obligations	–	–	–	–	–
Purchase obligations	–	–	–	–	–
Other long-term liabilities reflected on the Registrant's balance sheet under GAAP	–	–	–	–	–

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

Microbot's cash and cash equivalents as of December 31, 2016 consisted of readily available checking and money market funds. Microbot's primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of U.S. interest rates. However, because of the short-term nature of the instruments in Microbot's portfolio, a sudden change in market interest rates would not be expected to have a material impact on Microbot's financial condition and/or results of operations. Microbot does not believe that its cash or cash equivalents have significant risk of default or illiquidity. While Microbot believes its cash and cash equivalents do not contain excessive risk, Microbot cannot provide absolute assurance that in the future its investments will not be subject to adverse changes in market value. In addition, Microbot maintains significant amounts of cash and cash equivalents at one or more financial institutions that are in excess of federally insured limits.

Foreign Exchange Risks

Our financial statements are denominated in U.S. dollars and financial results are denominated in U.S. dollars, while a significant portion of our business is conducted, and a substantial portion of our operating expenses are payable, in currencies other than the U.S. dollar.

Exchange rate fluctuations may have an adverse impact on our future revenues, if any, or expenses as presented in the financial statements. We may in the future use financial instruments, such as forward foreign currency contracts, in its management of foreign currency exposure. These contracts would primarily require us to purchase and sell certain foreign currencies with or for U.S. dollars at contracted rates. We may be exposed to a credit loss in the event of non-performance by the counterparties of these contracts. In addition, these financial instruments may not adequately manage our foreign currency exposure. Our results of operations could be adversely affected if we are unable to successfully manage currency fluctuations in the future.

Effects of Inflation

Inflation generally affects Microbot by increasing its clinical trial costs. Microbot does not believe that inflation and changing prices had a significant impact on its results of operations for any periods presented herein.

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements and supplementary data required by this item are included in this Annual Report on From 10-K immediately following Part IV and are incorporated herein by reference.

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

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures. We maintain a system of disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). As required by Rule 13a-15(b) under the Exchange Act, management of the Company, under the direction of our Chief Executive Officer and Chief Financial Officer, reviewed and performed an evaluation of the effectiveness of design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of December 31, 2016. Based on that review and evaluation, the Chief Executive Officer and Chief Financial Officer, along with the management of the Company, have determined that as of December 31, 2016, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and were effective to provide reasonable assurance that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Management's Annual Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining effective internal control over financial reporting (as defined in Rule 13a – 15(f) of the Exchange Act). There are inherent limitations to the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time. We have assessed the effectiveness of our internal controls over financial reporting (as defined in Rule 13a -15(f) of the Exchange Act) as of December 31, 2016, and have concluded that, as of December 31, 2016, our internal control over financial reporting was effective.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting, identified in connection with the evaluation of such internal control that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance.

General

We currently have seven directors serving on our Board of Directors (our "Board"). The Board currently consists of Harel Gadot, Yoav Waizer, Moshe Shoham, Yoseph Bornstein, Solomon Mayer, Scott Burell and Martin Madden. All of such directors were either directors of Microbot Israel prior to the Merger or were appointed to the Board as of or subsequent to the Merger.

Messrs. Gadot, Waizer and Madden are Class I directors whose terms expire at the Company's 2019 annual meeting of stockholders. Messrs. Mayer and Burell are Class II directors whose terms expire at the Company's 2017 annual meeting of stockholders. Messrs. Bornstein and Shoham are Class III directors whose terms expire at the Company's 2018 annual meeting of stockholders.

Management and Director Changes of the Company prior to or upon the Merger

On January 18, 2016, Dr. Ian Massey was appointed as the Company's President and Chief Executive Officer. Dr. Massey was also elected to the Company's Board of Directors. Dr. Massey succeeded Martin McGlynn, who resigned as Chief Executive Officer and as a director of the Company effective January 17, 2016. On August 15, 2016, Mr. Massey resigned from his position as Chief Executive Officer, President and as a director of the Company. On August 15, 2016, Gregory Schiffman resigned from his position as the Chief Financial Officer of the Company. On August 15, 2016, Kenneth Stratton commenced serving as interim President. On August 15, 2016, R. Scott Greer, Alan Trounson and Irving Weissman resigned from their positions as members of the Board, as well as members of the respective Board committees on which they serve. On November 28, 2016, effective immediately prior to the effective time of the Merger, each of Eric Bjerkholt, Ricardo Levy and John Schwartz resigned from the Board and any respective committees of the Board of Directors on which they served. In addition, on November 28, 2016, Kenneth Stratton resigned from his position as the interim President, General Counsel and Secretary of the Company.

Board of Directors

The following table lists the names, ages and positions of the individuals who serve as executive officers and directors of the Company, as of March 16, 2017:

Name	Age	Position
Harel Gadot	44	President, Chief Executive Officer and Chairman of the Board of Directors
Yoav Waizer	51	Director
Moshe Shoham	65	Director
Yoseph Bornstein	58	Director
Solomon Mayer	63	Director
Scott Burell	52	Director
Martin Madden	56	Director

Harel Gadot, became President, Chief Executive Officer and Chairman of the Company's Board of Directors following the consummation of the Merger. Mr. Gadot is a co-founder of Microbot Israel and has served as Microbot Israel's Chief Executive Officer since Microbot Israel was founded in November 2010. He has been the Chairman of Microbot Israel's board of directors since July 2014. He also serves as the Chairman of XACT Robotics Ltd. since August 2013 and MEDX Xelerator LP since July 2016. From December 2007 to April 2010 Mr. Gadot was a Worldwide Group Marketing Director at Ethicon Inc., a Johnson and Johnson Company, where he was responsible for the global strategic marketing of the company. Mr. Gadot also held management positions, as well as leading regional strategic position for Europe, Middle-East and Africa, as well as In Israel, while at Johnson and Johnson. Mr. Gadot served as director for ConTIPI Ltd. from August 2010 until November 2013 when ConTIPI Ltd. was acquired by Kimberly-Clark Corporation. Mr. Gadot holds a B.Sc.in Business from Siena College, Loudonville NY, and an M.B.A. from the University of Manchester, UK. The Company believes that Mr. Gadot is qualified to serve as Chairman of the Board and as President and Chief Executive Officer of the Company due to his extensive experience in strategic marketing in the medical device industry.

Yoav Waizer, became a director of the Company following the Merger and has served as a member of the Board of Directors of Microbot Israel since May 2015. Mr. Waizer is a Partner and Chief Executive Officer of Medica Venture Partners, a healthcare dedicated venture investing out of Israel in innovative capital-starved early stage and special situation companies, since November 2005. Prior to his Tenure at Medica, Mr. Waizer served as CFO & COO at Cedar Fund, a venture capital fund focuses on investing in Israel-related high-tech companies in the telecom, networking, Internet-infrastructure and enterprise software areas and prior to that Mr. Waizer was the CFO of Star Ventures Israel, the Israeli fund of Star Ventures, a $1 billion venture capital fund investing in all stages of development within the Telecom, Enterprise S/W, Wireless and Life Sciences sectors. Mr. Waizer is currently a director of InterCure Ltd., a company focused on investing in medical technology companies that is traded on the Tel Aviv Stock exchange. Mr. Waizer holds Master of Business Administration in Information Systems and B.Sc. in Accounting and Statistics, both from the Tel-Aviv University. The Company believes that Mr. Waizer is qualified to serve as a member of the Company's board due to his extensive investment experience and extensive knowledge of the life sciences industry.

Moshe Shoham, D.Sc., became a director of the Company following the Merger. Dr. Shoham is a co-founder of Microbot Israel and has served as Chairman of Microbot Israel's Scientific Advisor Board and as a Director since Microbot Israel was founded in November 2010. Prof. Shoham has been the head of the robotics laboratory at the Technion-Israel Institute of Technology, Department of Mechanical Engineering since October 1990 and has been a professor in the Department of Mechanical Engineering at the Technion-Israel Institute of Technology since October 1989. Prior to that, Dr. Shoham was the director of the robotic laboratory in the Department of Mechanical Engineering at Columbia University from September 1986 to September 1989. Dr. Shoham has served as a foreign member of the National Academy of Engineering in the United States since October 2014. In addition, Dr. Shoham founded Mazor Surgical Technologies Ltd., a publically traded medical device company in the field of surgical robotics, and has been its Chief Technology Officer since January 2003. Dr. Shoham earned a B.Sc. in 1978, a M.Sc. in 1982 and a D.Sc. in 1986 from the Technion-Israel Institute of Technology. The Company believes that Dr. Shoham is qualified to serve as Chairman of the Company's Scientific Advisory Board and as a member of the Board due to his extensive knowledge of the Company's technologies and the surgical robotics industry, and his extensive business and academic experience in the field of surgical robotics.

Yoseph Bornstein, became a director of the Company following the Merger . Mr. Bornstein is a co-founder of Microbot Israel and has been a member of the Board of Directors since Microbot Israel was founded in November 2010. Mr. Bornstein founded Shizim Ltd., a life science holding group in October 2000 and has served as its president since then. Mr. Bornstein is the Chairman of GCP Clinical Studies Ltd., a provider of clinical research services and educational programs in Israel since January 2002. He is the Chairman of Biotis Ltd., a service company for the bio-pharmaceutical industry, since June 2000. In addition, he is the Chairman of Dolphin Medical Ltd., a service company for the medical device industry, since April 2012 and the Chairman of ASIS Enterprises B.B.G. Ltd., a business August 2007. In October 1992, Mr. Bornstein founded Pharmateam Ltd., an Israeli company that specialized in representing international pharmaceutical companies which was sold in 2000. Mr. Bornstein is also a founder of a number of other privately held life-science companies. Mr. Bornstein served as the Biotechnology Committee Chairman of the Unites States-Israel Science & Technology Commission (the "USISTF") from September 2002 to February 2005 as well as a consultant for USISTF from September 2002 to February 2005. He is also the founder of ILSI-Israel Life Science Industry Organization and ITTN-Israel Tech Transfer Organization. The Company believes that Mr. Bornstein is qualified to serve as a member of the Board due to his extensive experience in, and knowledge of, the life sciences industry and international business.

Solomon Mayer, became a director of the Company following the Merger. Mr. Mayer has served as a member of the Board of Directors of Microbot Israel since June 2014, as the designated director of Alpha Capital. Mr. Mayer has served as the President and Chief Executive Officer of Mooney Aviation Company since June 1999. He also serves as President of Chailife Line, an organization devoted to help restore normalcy to family life and better enable them to withstand the crises and challenges of serious pediatric illness. In addition, Mr. Mayer serves as a Director of the Laniado Hospital, International Medical Search Co. of New York, Blastgard International, Inc. and Ironwood Gold Corp. The Company believes that Mr. Mayer is qualified to serve as a member of the Board due to his investment experience and extensive management experience as an executive and director of a variety of companies.

Scott R. Burell, became a director of the Company following the Merger. He is the Chief Financial Officer, Secretary and Treasurer of CombiMatrix Corporation (NASDAQ: CBMX), a family health-focused clinical molecular diagnostic laboratory specializing in pre-implantation genetic screening, prenatal diagnosis, miscarriage analysis, and pediatric developmental disorders, since November 2006. He successfully led the split-off of CombiMatrix in 2007 from its former parent, has led several successful public and private debt and equity financing transactions as well as CombiMatrix's reorganization in 2010. Prior to this, Mr. Burell had served as CombiMatrix's Vice President of Finance since November 2001 and as its Controller from February 2001 to November 2001. From May 1999 to first joining CombiMatrix in February 2001, Mr. Burell was the Controller for Network Commerce, Inc., a publicly traded technology and information infrastructure company located in Seattle. Prior to this, Mr. Burell spent 9 years with Arthur Andersen's Audit and Business Advisory practice in Seattle. During his tenure in public accounting, Mr. Burell worked with many clients, both public and private, in the high-tech and healthcare markets, and was involved in numerous public offerings, spin-offs, mergers and acquisitions. Mr. Burell is also a Board member and Audit Committee Chairman of AgEagle Aerial Systems, Inc., a private agricultural drone company based in Kansas. Mr. Burell obtained his Washington state CPA license in 1992 and is a certified public accountant (currently inactive). He holds Bachelor of Science degrees in Accounting and Business Finance from Central Washington University. The Company believes Mr. Burell's qualifications to serve on the Board include his experience as an executive of a public life sciences company and knowledge of financial accounting in the medical technology field.

Martin Madden, became a director of the Company since February 6, 2017. Mr. Madden has held various positions at Johnson & Johnson and its affiliates from 1986 to January 2017, most recently as Vice President, Research & Development of DePuy Synthes, a Johnson & Johnson Company, from February 2016 to January 2017. Prior to that, from July 2015 to February 2016, Mr. Madden was the Vice President, New Product Development of Johnson & Johnson Medical Devices. From January 2012 to July 2015, Mr. Madden was the Vice President, Research & Development of Johnson & Johnson's Global Surgery Group. Mr. Madden holds a MBA from Columbia University, a M.S. from Carnegie Mellon University in Mechanical Engineering, and a B.S. from the University of Dayton in Mechanical Engineering. The Company believes that Mr. Madden is qualified to serve as a member of the Board due to his extensive experience in research and development, portfolio planning, technology assessment and assimilation, and project management and budgeting.

Executive Officers

Following are the name, age and other information for our named executive officers, as of March 16, 2017. All company officers have been appointed to serve until their successors are elected and qualified or until their earlier resignation or removal. Information regarding Harel Gadot, our Chairman, President and Chief Executive Officer, is set forth above under "–Board of Directors."

Name	Age	Position
David Ben Naim	48	Chief Financial Officer
Yehezkel (Hezi) Himelfarb	59	General Manager and Chief Operating Officer

David Ben Naim, became the Company's Chief Financial Officer following the consummation of the Merger. Mr. Ben Naim is the general manager of DBN Finance Services Ltd., a company which provides outsourcing financial services to public and private companies, since 2014. Through DBN Finance Services, Mr. Ben Naim has acted as the outsourced CFO for Emerald Medical Applications Corp. (OTC:MRLA), a digital health startup company engaged in the development, sale and service of imaging solutions, and Tempramed Inc., a private medical device company. Prior to that, Mr. Ben Naim served as Chief Financial Officer for several companies in the biomedical and technology industries. From July 2012 to September 2014, Mr. Ben Naim served as Chief Financial Officer for Insuline Medical Ltd. (TASE: INSL), an Israel-based company focused on improving performance of insulin treatment methods. From 2008 until 2011, Mr. Ben Naim served as Chief Financial Officer of Crow Technologies 1977 Ltd. (OTC:CRWTF), a company that designs, develops, manufactures and sells a broad range of security and alarm systems. From 2007 to 2008, Mr. Ben Naim served as Chief Financial Officer of Ilex Medical Ltd. (TASE:ILX), a leading company in the medical diagnostics field. From 2003 to 2007, Mr. Ben Naim was the Corporate Controller of Tadiran Telecom Ltd. He started his career in 1998 at Deloitte & Touche where he left in 2003 as an Audit Senior Manager. Mr. Ben Naim holds a B.A. in social sciences from Open University, Israel, a CPA license from Ramat Gan College, Israel, and an M.B.A. from Ono Academic College, Israel.

Yehezkel (Hezi) Himelfarb, became the Company's Chief Operating Officer and General Manager of the Company's Israeli operations on December 5, 2016. Mr. Himelfarb was the Chief Executive Officer from 2008 through November 2016 and a member of the board of directors from 2008 through August 2016 of IceCure Medical Ltd., a Tel Aviv Stock Exchange listed company that develops advanced cryotherapy systems (cryoablation) intended for the growing physician-office market. Prior to that, from 1999 to 2008, Mr. Himelfarb was the President, Chief Executive Officer and a member of the board of directors of Remon Medical Technologies, Inc., a venture backed US/Israeli company that developed and commercialized smart, miniature implants which enabled physicians to assess and treat a variety of medical conditions, where he, among other things, led its acquisition by Boston Scientific. From 1996 to 1999, he was the Vice President and Chief Operating Officer of Medtronic-InStent (Israel), which was part of Medtronic's vascular division. From 1982 to 1996, Mr. Himelfarb had various positions at Scitex Corporation Ltd., which was an Israeli-based company specializing in specialty equipment production. Mr. Himelfarb holds a B.Sc. in Electronic Engineering and an M.B.A. in Marketing and Engineering Management, both from Tel Aviv University.

Committees of the Board of Directors

Presently, the Board has three standing committees — the Audit Committee, the Compensation and Stock Option Committee (the "Compensation Committee"), and the Corporate Governance and Nominating Committee (the "Corporate Governance Committee"). All members of the Audit Committee, the Compensation Committee, and the Corporate Governance Committee are, and are required by the charters of the respective committees to be, independent as determined under Nasdaq Listing rules.

Audit Committee

The Audit Committee is composed of Messrs. Burell, Waizer and Bornstein. Each of the members of the Audit Committee is independent, and the Board has determined that Mr. Burell is an "audit committee financial expert," as defined in SEC rules. The Audit Committee acts pursuant to a written charter which is available through our website at www.microbotmedical.com.

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities. The Audit Committee does this primarily by reviewing the Company's financial reports and other financial information as well as the Company's systems of internal controls regarding finance, accounting, legal compliance, and ethics that management and the Board of Directors have established. The Audit Committee also assesses the Company's auditing, accounting and financial processes more generally. The Audit Committee recommends to the Board of Directors the appointment of a firm of independent auditors to audit the financial statements of the Company and meets with such personnel of the Company to review the scope and the results of the annual audit, the amount of audit fees, the company's internal accounting controls, the Company's financial statements contained in this proxy statement, and other related matters.

Compensation Committee

The Compensation Committee is composed of Messrs. Burell and Bornstein. Each of the members of the Compensation Committee is independent. The Compensation Committee acts pursuant to a written charter which is available through our website at www.microbotmedical.com.

The Compensation Committee acts pursuant to a written charter. The Compensation Committee makes recommendations to the Board of Directors and management concerning salaries in general, determines executive compensation and approves incentive compensation for employees and consultants.

Nominating and Governance Committee

The Corporate Governance Committee is composed of Messrs. Shoham, Waizer and Burell. Each of the members of the Corporate Governance Committee is independent. The Corporate Governance Committee acts pursuant to a written charter which is available through our website at www.microbotmedical.com.

The Corporate Governance Committee oversees nominations to the Board and considers the experience, ability and character of potential nominees to serve as directors, as well as particular skills or knowledge that may be desirable in light of the Company's position at any time. From time to time, the Corporate Governance Committee may engage the services of a paid search firm to help the Corporate Governance Committee identify potential nominees to the Board. The Corporate Governance Committee and Board seek to nominate and appoint candidates to the Board who have significant business experience, technical expertise or personal attributes, or a combination of these, sufficient to suggest, in the Board's judgment, that the candidate would have the ability to help direct the affairs of the company and enhance the Board as a whole. The Corporate Governance Committee may identify potential candidates through any reliable means available, including recommendations of past or current members of the Board from their knowledge of the industry and of the Company. The Corporate Governance Committee also considers past service on the Board or on the board of directors of other publicly traded or technology focused companies. The Corporate Governance Committee has not adopted a formulaic approach to evaluating potential nominees to the Board; it does not have a formal policy concerning diversity, for example. Rather, the Corporate Governance Committee weighs and considers the experience, expertise, intellect, and judgment of potential nominees irrespective of their race, gender, age, religion, or other personal characteristics. The Corporate Governance Committee may look for nominees that can bring new skill sets or diverse business perspectives. Potential candidates recommended by security holders will be considered as provided in the company's "Policy Regarding Shareholder Candidates for Nomination as a Director," which sets forth the procedures and conditions for such recommendations. This policy is available through our website at www.microbotmedical.com.

There were no material changes to the procedures by which securityholders may recommend nominees to the Board, since the Company last provided the disclosure in this section.

Director Oversight and Qualifications

While management is responsible for the day-to-day management of the risks the company faces, the Board, as a whole and through its committees, has responsibility for the oversight of risk management. An important part of risk management is not only understanding the risks facing the company and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the company. In support of this oversight function, the Board receives regular reports from our Chief Executive Officer and members of senior management on operational, financial, legal, and regulatory issues and risks. The Audit Committee additionally is charged under its charter with oversight of financial risk, including the company's internal controls, and it receives regular reports from management, the company's internal auditors and the company's independent auditors. The chairman of the Board and independent members of the Board work together to provide strong, independent oversight of the company's management and affairs through its standing committees and, when necessary, special meetings of directors.

Code of Business Conduct and Ethics

We have adopted a Code of Ethics and Conduct that applies to all of our directors, officers, employees, and consultants. A copy of our code of ethics is posted on our website at www.microbotmedical.com. We intend to disclose any substantive amendment or waivers to this code on our website. There were no substantive amendments or waivers to this code in 2016.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires our executive officers, directors, and persons who own more than 10% of a registered class of our equity securities, to file with the SEC reports of ownership of our securities and changes in reported ownership. Executive officers, directors and greater than 10% beneficial owners are required by SEC rules to furnish us with copies of all Section 16(a) reports they file. Based solely on a review of the copies of such forms furnished to us, or written representations from the reporting persons that no Form 5 was required, we believe that, during the fiscal year ended December 31, 2016, all Section 16(a) filing requirements applicable to our officers, directors and greater than 10% beneficial owners have been met, with the following exceptions: Gregory T. Schiffman filed two late Form 4's and one late Form 4 amendment; Ian J. Massey filed one late Form 4; George Koshy filed one late Form 4; and David Ben Naim filed one late Form 3.

Item 11. Executive Compensation.

The following table sets forth information regarding each element of compensation that was paid or awarded to the named executive officers of the Company for the periods indicated.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
Harel Gadot(1)	2016	275,000	—	—	—	—	—	275,000
Chief Executive	2015	91,000	—	—	—	—	—	91,000
Officer	2014	184,000	—	—	186,000(2)		—	370,000
Hezi Himelfarb(3)								
Chief Operating	2016	16,000	—	—	—	—	—	16,000
Officer & General	2015	—	—	—	—	—	—	—
Manager	2014	—	—	—	—	—	—	—
David Ben Naim(4)	2016	6,000	—	—	—	—	—	6,000
Chief Financial	2015	—	—	—	—	—	—	—
Officer	2014	—	—	—	—	—	—	—
Executive Officers of StemCells in 2016 (Through Merger)								
Martin McGlynn	2016	952,396	—	—	—	—	570,000(5)	1,522,396
Former Chief	2015	570,000	—	1,908,360	—	—	44,362	2,522,722
Executive Officer	2014	570,000	219,450	—	—	—	43,334	832,784
Ian Massey	2016	359,325	—	—(6)	—	—	216,667(7)	575,992(8)
Former President &	2015	291,569	94,615	765,000	—	—	10,690	1,161,874
Chief Executive Officer	2014	—	—	—	—	—	—	—
Gregory Schiffman	2016	413,437	—	—(9)	—	—	187,500(10)	600,937(8)
Former Chief	2015	450,000	180,000	487,920	—	—	28,114	1,146,034
Financial Officer	2014	450,000	157,500	458,500	—	—	28,110	1,094,110
Kenneth Stratton	2016	478,476	—	—	—	—	189,667(11)	668,143
Former interim	2015	320,000	102,400	364,800	—	—	33,510	820,710
President, General Counsel	2014	320,000	89,600	—	—	—	32,580	442,180
George Koshy	2016	616,123(12)	—	—	—	—		616,123
Former Chief Accounting Officer								

(1) Mr. Gadot's compensation prior to the Merger on November 28, 2016 was paid pursuant to a consulting agreement with MEDX Ventures Group LLC, of which Mr. Gadot is the Chief Executive Officer, Company Group Chairman and majority equity owner.

(2) Amounts shown do not reflect cash compensation actually received by the named executive officer. Instead, the amounts shown are the non-cash aggregate grant date fair values of stock option awards made during the periods presented as determined pursuant to ASC Topic 718 and excludes the effect of forfeiture assumptions. The assumptions used to calculate the fair value of stock option awards are set forth under Note 10 to the Consolidated Financial Statements included herein.

(3) Mr. Himelfarb commenced employment in December 2016.

(4) Mr. Ben Naim commenced employment in December 2016.

(5) Under the terms of his separation agreement with the Company, among other things, Mr. McGlynn received a one-time lump sum payment of $570,000.

(6) In connection with an amendment to Dr. Massey's then-existing employment agreement, on January 14, 2016, StemCells awarded him restricted stock units to receive up to 1,250,000 shares of common stock, with vesting of these units tied to the timely and successful conduct and completion of its Phase II clinical study in spinal cord injury. An additional award of restricted stock units to receive up to 378,460 shares of common stock, with the same vesting, was made on March 15, 2016.

(7) Under the terms of his separation agreement with the Company, among other things, Mr. Massey received a one-time lump sum payment of $216,667.

(8) Does not include value of restricted stock units granted in 2016.

(9) On March 15, 2016, StemCells awarded Mr. Schiffman restricted stock units to receive up to 720,000 shares of common stock, with vesting of these units tied to the timely and successful conduct and completion of its Phase II clinical study in spinal cord injury.

(10) Under the terms of his separation agreement with the Company, among other things, Mr. Schiffman received a one-time lump sum payment of $187,500 plus COBRA premiums for a period of twelve months following termination.

(11) Under the terms of his separation agreement with the Company, among other things, Mr. Stratton received a one-time lump sum payment of $141,667 plus COBRA premiums for a period of twelve months following termination. In addition, Mr. Stratton was awarded a $48,000 transaction success fee in connection with the completion of the Merger as an incentive for his management of the business during the negotiations and the pre-closing period.
(12) Includes annual base compensation and retention payments to Mr. Koshy in 2016.

Outstanding Equity Awards at Fiscal Year-End

The following table presents the outstanding equity awards held by each of the named executive officers as of the end of the fiscal year ended December 31, 2016.

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market value of Shares of Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
Harel Gadot (1)	1,167,693	–	$ 0.28	9/01/2024	–	–	–	–
Hezi Himelfarb	–	–	–	–	–	–	–	–
David Ben Naim	–	–	–	–	–	–	–	–
Former Executive Officers of StemCells								
Martin McGlynn	–	–	–	–	–	–	–	–
Ian Massey	–	–	–	–	–	–	–	–
Greg Schiffman	–	–	–	–	–	–	–	–
Kenneth Stratton	139(2)	–	$ 2,829.60(2)	2/28/2017	–	–	–	–
George Koshy	80(2)	–	$ 2,386.80(2)	8/23/2017(3)	–	–	–	–
	52(2)	–	$ 1,890.00(2)	5/15/2019(3)	–	–	–	–
	23(2)	–	$ 1,101.60(2)	6/01/2020(3)	–	–	–	–

(1) Such options were granted to MEDX Ventures Group LLC, which is controlled by Mr. Gadot, under Microbot Israel's Employee Stock Option Plan, and represented the right to receive 403,592 ordinary shares of Microbot Israel at an exercise price of $0.8 per share. As of the Merger, the options represent the right to receive 1,167,693 shares of the common stock of the Company, at an exercise price of $0.28 per share.
(2) As adjusted to reflect the Company's 1:9 reverse stock split.
(3) Such options expired on approximately February 28, 2017, pursuant to the terms of the option grant, as a result of Mr. Koshy ceasing to be employed by the Company as of approximately November 28, 2016.

Harel Gadot Employment Agreement

The Company entered into an employment agreement (the "Gadot Agreement") with Harel Gadot on November 28, 2016, to serve as the Company's Chairman of the Board of Directors and Chief Executive Officer, on an indefinite basis subject to the termination provisions described in the Agreement. Pursuant to the terms of the Gadot Agreement, Mr. Gadot shall receive an annual base salary of $360,000. The salary will be reviewed on an annual basis by the Compensation Committee of the Company to determine potential increases taking into account such performance metrics and criteria as established by the Executive and the Company.

Mr. Gadot shall also be entitled to receive a target annual cash bonus of up to a maximum amount of 40% of base salary. On March 9, 2017, the Company adopted a 2017 bonus plan (the "Bonus Plan"). The Bonus Plan provides for the payment of Messrs. Gadot's bonus based on certain milestones of the Company being satisfied, as follows:

- The Company having closed a financing of at least $3 million in the first quarter of 2017, at which time 20% of the bonus would be payable. Such milestone was satisfied in January 2017.

- The Company having closed a financing of at least $10 million by the end of the third quarter of 2017, at which time 20% of the bonus would be payable.

- The Company having entered into research agreements with Wayne State University (the "Wayne Agreement") and The Washington University in St. Louis (the "Washington Agreement") by the end of the first quarter of 2017, at which time 20% of the bonus would be payable. Such milestone was satisfied in January 2017.

- The Company having initiated studies pursuant to both the Wayne Agreement and the Washington Agreement, by the end of April 2017, at which time 15% of the bonus would be payable.

- The Company having completed the initial study from at least one of the Wayne Agreement and the Washington Agreement, by the end of 2017, at which time 15% of the bonus would be payable.

- The Company meeting its 2017 budget, as approved by the Board of Directors of the Company by March 31, 2017, at which time 10% of the bonus would be payable.

Mr. Gadot shall be further entitled to a monthly automobile allowance and tax gross up on such allowance of $1,150, and shall be granted options to purchase shares of common stock of the Company representing 5% of the issued and outstanding shares of the Company, based on vesting and other terms to be determined by the Compensation Committee of the Board of Directors subsequent to the Effective Time.

In the event Mr. Gadot's employment is terminated as a result of death, Mr. Gadot's estate would be entitled to receive any earned annual salary, bonus, reimbursement of business expenses and accrued vacation, if any, that is unpaid up to the date of Mr. Gadot's death.

In the event Mr. Gadot's employment is terminated as a result of disability, Mr. Gadot would be entitled to receive any earned annual salary, bonus, reimbursement of business expenses and accrued vacation, if any, incurred up to the date of termination.

In the event Mr. Gadot's employment is terminated by the Company for cause, Mr. Gadot would be entitled to receive any compensation then due and payable incurred up to the date of termination.

In the event Mr. Gadot's employment is terminated by the Company without cause, he would be entitled to receive (i) any earned annual salary; (ii) 12 months' pay and full benefits, (iii) a pro rata bonus equal to the maximum target bonus for that calendar year; (iv) the dollar value of unused and accrued vacation days; and (v) applicable premiums (inclusive of premiums for Mr. Gadot's dependents) pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended, for twelve (12) months from the date of termination for any benefits plan sponsored by the Company. In addition, 100% of any unvested portion of his stock options shall immediately vest and become exercisable.

The agreement contains customary non-competition and non-solicitation provisions pursuant to which Mr. Gadot agrees not to compete and solicit with the Company. Mr. Gadot also agreed to customary terms regarding confidentiality and ownership of intellectual property.

Hezi Himelfarb Employment Agreement

We entered into an employment agreement (the "Himelfarb Agreement") with Mr. Himelfarb on December 5, 2016, to serve as our Chief Operating Office and General Manager, on an indefinite basis subject to the termination provisions described in the Himelfarb Agreement. Pursuant to the terms of the Himelfarb Agreement, Mr. Himelfarb shall receive a base salary of 64,000 New Israeli Shekel (NIS) per month or NIS 768,000 per year, or the equivalent of approximately $211,624 per annum based on an exchange rate of $.28 for NIS 1.0. The salary will be reviewed on an annual basis by the Company's Board of Directors to determine potential salary increases.

Mr. Himelfarb shall be entitled to grants or payments subject to the adoption by the Company at its discretion of a bonus plan or policy. On March 9, 2017, the Company adopted the Bonus Plan. The Bonus Plan provides for the payment of Messrs. Himelfarb's bonus of up to 25% of his base salary based on certain milestones of the Company being satisfied, as follows:

- The Company having closed a financing of at least $3 million in the first quarter of 2017, at which time 20% of the bonus would be payable. Such milestone was satisfied in January 2017.

- The Company having closed a financing of at least $10 million by the end of the third quarter of 2017, at which time 20% of the bonus would be payable.

- The Company having entered into research agreements with Wayne State University (the "Wayne Agreement") and The Washington University in St. Louis (the "Washington Agreement") by the end of the first quarter of 2017, at which time 20% of the bonus would be payable. Such milestone was satisfied in January 2017.

- The Company having initiated studies pursuant to both the Wayne Agreement and the Washington Agreement, by the end of April 2017, at which time 15% of the bonus would be payable.

- The Company having completed the initial study from at least one of the Wayne Agreement and the Washington Agreement, by the end of 2017, at which time 15% of the bonus would be payable.

- The Company meeting its 2017 budget, as approved by the Board of Directors of the Company by March 31, 2017, at which time 10% of the bonus would be payable.

Mr. Himelfarb shall also entitled participate in the Company's motor vehicle program and receive a motor vehicle from the Company's vehicle pool, which shall be leased or rented by the Company for use by Mr. Himelfarb. The Company shall pay an amount equal to 8.33% of Mr. Himelfarb's salary, which shall be allocated to a fund for severance pay to Mr. Himelfarb, and an additional amount equal to 6.25% of Mr. Himelfarb's salary (6.5% as of January 1, 2017), which shall be allocated to a pension plan, in addition to disability insurance contributions and as otherwise may be required by applicable Israeli law from time to time. The Company shall also contribute to an educational fund an amount equal to 7.5% of each monthly payment of Mr. Himelfarb's full salary. Mr. Himelfarb is also entitled to options to purchase 1,087,627 shares of the Company's common stock, which represents 3% of the Company's issued and outstanding shares of common stock as of the closing of the Company's merger transaction with the Subsidiary on November 28, 2016. Such options have not yet been granted.

The Himelfarb Agreement contains customary non-competition provisions pursuant to which Mr. Himelfarb agrees not to compete with the Company. Mr. Himelfarb also agreed to customary terms regarding confidentiality and ownership of intellectual property.

David Ben Naim Services Agreement

We entered into a services agreement (the "Services Agreement") with DBN Finance Services effective October 31, 2016, to provide outsourced CFO services. Pursuant to the terms of the Services Agreement, DBN Finance Services will provide its services exclusively through Mr. David Ben Naim, who will serve as the principal financial and accounting officer of Microbot Israel and the Company. Mr. Ben Naim's engagement will continue on an indefinite basis subject to the termination provisions described in the Agreement.

Pursuant to the Agreement, the Company shall pay the Service Provider a fixed fee of NIS15,000, or the equivalent of approximately $4,133 per month based on an exchange rate of $.28 for NIS1.0, plus VAT per month, and the Company shall reimburse DBN Finance Services for reasonable and customary out of pocket expenses incurred by it or Mr. Ben Naim connection with the performance of the duties under the Services Agreement. In addition, the Company shall maintain for the benefit of Mr. Ben Naim, a Directors and Officers insurance policy, according to the Company's policy for other directors and officers of the Company.

Both the Company and DBN Finance Services shall have the right to terminate the Agreement for any reason or without reason at any time by furnishing the other party with a 30-day notice of termination. The Company shall further be entitled to terminate the Services Agreement for "cause" without notice, in which case neither DBN Finance Services nor Mr. Ben Naim shall be entitled to any compensation due to such early termination.

DBN Finance Services and Mr. Ben Naim agreed to customary provisions regarding confidentiality and intellectual property ownership. The Services Agreement also contains customary non-competition and non-solicitation provisions pursuant to which DBN Finance Services and Mr. Ben Naim agree not to compete and solicit with the Company during the term of the Agreement and for a period of twelve (12) months following the termination of the Agreement.

Indemnification Agreements

In connection with the Merger, the Company entered into indemnification agreements with each of its outgoing directors and executive officers, Eric Bjerkholt, R. Scott Greer, Ricardo Levy, Ph.D., Ian Massey, D.Phil., John Schwartz, Ph.D., Alan Trounson, Ph.D. and Irving Weissman, M.D., as well as with its newly appointed directors. Pursuant to the indemnification agreements, the Company has agreed to indemnify and hold harmless these current and former directors and officers to the fullest extent permitted by the Delaware General Corporation Law. The agreements generally cover expenses that a director or officer incurs or amounts that a director or officer becomes obligated to pay because of any proceeding to which he is made or threatened to be made a party or participant by reason of his service as a current or former director, officer, employee or agent of the Company, provided that he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. The agreements also provide for the advancement of expenses to the directors and officers subject to specified conditions. There are certain exceptions to the Company's obligation to indemnify the directors and officers, and, with certain exceptions, with respect to proceedings that he initiates.

Limits on Liability and Indemnification

We provide directors and officers insurance for our current directors and officers.

Our certificate of incorporation eliminate the personal liability of our directors to the fullest extent permitted by law. The certificate of incorporation further provide that the Company will indemnify its officers and directors to the fullest extent permitted by law. We believe that this indemnification covers at least negligence on the part of the indemnified parties. Insofar as indemnification for liabilities under the Securities Act may be permitted to our directors, officers, and controlling persons under the foregoing provisions or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is therefore unenforceable.

Director Compensation

The Company adopted a compensation package for the non-management members of its Board, pursuant to which each such Board member would receive for his services $12,000 per annum, $750 per duly called Board meeting and $250 per unanimous written consent. Furthermore, each member of the Audit Committee of the Board receives an additional $10,000 per annum, and other committee members receive an additional $5,000 per annum. All such Board members, provided they do not otherwise beneficially own (or represent holders who beneficially own) over 2.5% of the Company's outstanding shares of common stock, are also eligible to receive stock options and other equity incentive grants.

The following table summarizes cash-based and equity compensation information for our outside directors, including annual Board and committee retainer fees and meeting attendance fees, for the year ended December 31, 2016:

Name	Fees earned or paid in cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Yoav Waizer	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Moshe Shoham	-	-	330,834	-	-	24,000(2)	$ 354,834
Yoseph Bornstein	-	-	-	-	-	-	-
Solomon Mayer	-	-	-	-	-	-	-
Scott Burell	-	-	-	-	-	-	-
Martin Madden	-	-	-	-	-	-	-

(1) Amounts shown do not reflect cash compensation actually received by the director. Instead, the amounts shown are the non-cash aggregate grant date fair values of stock option awards made during the period presented as determined pursuant to ASC Topic 718 and excludes the effect of forfeiture assumptions. The assumptions used to calculate the fair value of stock option awards are set forth under Note 10 to the Consolidated Financial Statements included herein.

(2) Represents consulting fees paid to Professor Shoham.

Mr. Gadot received compensation for his services to the Company as set forth under the summary compensation table above.

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

The following table shows the number of shares of our common stock beneficially owned, as of March 16, 2017, by (i) each of our directors, (ii) each of our named executive officers, (iii) all of our current directors and executive officers as a group, and (iv) all those known by us to be to a beneficial owner of more than 5% of the company's common stock. In general, "beneficial ownership" refers to shares that an individual or entity has the power to vote or dispose of, and any rights to acquire common stock that are currently exercisable or will become exercisable within 60 days of March 16, 2017. We calculated percentage ownership in accordance with the rules of the SEC. The percentage of common stock beneficially owned is based on 27,251,333 shares outstanding as of March 16, 2017. In addition, shares issuable pursuant to options or other convertible securities that may be acquired within 60 days of March 16, 2017 are deemed to be issued and outstanding and have been treated as outstanding in calculating and determining the beneficial ownership and percentage ownership of those persons possessing those securities, but not for any other persons.

This table is based on information supplied by each prospective director, officer and principal stockholder of the Company. Except as indicated in footnotes to this table, the Company believes that the stockholders named in this table have sole voting and investment power with respect to all shares of Common Stock shown to be beneficially owned by them, based on information provided by such stockholders. Unless otherwise indicated, the address for each director, executive officer and 5% or greater stockholders of the Company listed is: c/o Microbot Medical Inc., 5 Hamada Street Yokneam 2069204, Israel.

Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Common Stock Beneficially Owned
Directors and Executive Officers		
Harel Gadot(1)	3,820,664	13.44%
Yoav Waizer	–	–
Moshe Shoham(2)	2,550,231	9.12%
Yoseph Bornstein(3)	5,305,409	19.47%
Solomon Mayer	–	–
Scott Burell	–	–
Martin Madden	–	–
David Ben Naim	–	–
Yehezkel (Hezi) Himelfarb	–	–
All current directors and executive officers as a group (9 persons)(4)	11,676,304	42.85%
Five Percent Stockholders		
LSA - Life Science Accelerator Ltd.(3)	5,305,409	19.47%
Technion Research and Development Foundation Ltd.(5)	3,555,339	13.05%
MEDX Ventures Group LLC(6)	3,820,664	13.44%
Leon Lewkowicz	3,149,438	11.56%
Saber Holding GmbH(7)	4,307,003	15.80%
GreenBlock Capital	1,950,660	7.16%
Lane Ventures	1,950,660	7.16%

(1) Includes 1,167,960 shares of the Company's common stock issuable upon the exercise of options granted to MEDX Ventures Group. All of such shares and options are held by MEDX Ventures Group LLC, which is beneficially owned by Mr. Gadot. See Note 5 below.
(2) Includes 708,141 shares of the Company's common stock issuable upon the exercise of options.
(3) Based on representations and other information made or provided to Microbot by Mr. Bornstein, Mr. Bornstein is the CEO and Director of LSA and of Shizim, and Mr. Bornstein is the majority equity owner of Shizim. Shizim is the majority equity owner of LSA. Accordingly, Mr. Bornstein may be deemed to share voting and investment power over the shares beneficially owned by these entities and has an address of 16 Iris Street, Rosh-Ha'Ayin Israel 4858022.
(4) Includes shares of the Company's common stock issuable upon the exercise of options as set forth in footnotes (1) and (2).
(5) The address of Technion Research and Development Foundation is Technion City, Malat Bldg., 5th Floor, Haifa, Israel 3200003.
(6) Includes 1,167,960 shares of the Company's common stock issuable upon the exercise of options granted to MEDX Ventures Group. Mr. Gadot is the Chief Executive Officer, Company Group Chairman and majority equity owner of MEDX Venture Group and thus may be deemed to share voting and investment power over the shares beneficially owned by this entity.
(7) Pursuant to a Schedule 13D/A-1 filed on January 9, 2017, Mrs. Sandra Berkson owns 100% of the equity of Saber Holding GmbH. Mr. Avram Berkson and Mrs. Sandra Berkson have shared power with Saber to vote or direct the vote, and to dispose or direct the disposition, of such shares. Saber's address is Krummbaumgasse 10/20, 1020 Wein, Austria.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Related parties can include any of our directors or executive officers, certain of our stockholders and their immediate family members. Each year, we prepare and require our directors and executive officers to complete Director and Officer Questionnaires identifying any transactions with us in which the officer or director or their family members have an interest. This helps us identify potential conflicts of interest. A conflict of interest occurs when an individual's private interest interferes, or appears to interfere, in any way with the interests of the company as a whole. Our code of ethics requires all directors, officers and employees who may have a potential or apparent conflict of interest to immediately notify our general counsel, who serves as our compliance officer. In addition, the Corporate Governance Committee is responsible for considering and reporting to the Board any questions of possible conflicts of interest of Board members. Our code of ethics further requires pre-clearance before any employee, officer or director engages in any personal or business activity that may raise concerns about conflict, potential conflict or apparent conflict of interest. Copies of our code of ethics and the Corporate Governance Committee charter are posted on the corporate governance section of our website at www.microbotmedical.com.

In March 2011, Microbot Israel entered into a consulting agreement with MEDX Ventures Group LLC, of which Mr. Gadot is the Chief Executive Officer, Company Group Chairman and majority equity owner (the "Gadot Consulting Agreement"), pursuant to which Mr. Gadot served as Microbot Israel's Chief Executive Officer. Under the terms of the Gadot Consulting Agreement, MEDX Ventures Group received a monthly fee of $17,000, which amount was to increase to $25,000 per month upon the consummation of a merger or other similar transaction. Under the Gadot Consulting Agreement, MEDX Ventures Group and Mr. Gadot was subject to customary non-competition, non-solicitation, confidentiality and intellectual property ownership provisions. In addition, MEDX Ventures Group was entitled to receive reimbursement for all direct expenses in connection with the performance of services under the Gadot Consulting Agreement. Either Microbot or MEDX Ventures Group was entitled to terminate the Gadot Consulting Agreement upon 60 days' written notice. MEDX Ventures Group LLC is a stockholder of Microbot. As a result of the Merger, the Gadot Consulting Agreement was terminated in November 2016 and was replaced with an employment agreement between the Company and Mr. Gadot.

In 2015, Microbot Israel issued convertible promissory notes, at an interest rate of 10%, in the aggregate principal amount of $411,500 (the "2015 Notes") to certain investors and Microbot Israel shareholders. The 2015 Notes matured on July 8, 2016. The principal and accrued but unpaid interest on the 2015 Notes converted into 452,650 shares of Series A Preferred Stock of Microbot Israel and warrants to purchase 409,750 shares of Series A Preferred Stock of Microbot Israel. The table below sets forth the 2015 Notes with aggregate principal in excess of $120,000 that were purchased by Microbot's directors, executive officers and holders of more than 5% of its capital stock.

Name of 2015 Bridge Note Holder	Outstanding Principal Purchased in 2015
Saber Holding GmbH	$ 140,000
Leon Lewkowicz	$ 140,000

In 2016, Microbot Israel issued convertible promissory notes, at an annual interest rate of 10%, in the aggregate principal amount of $750,000 (the "2016 Notes") to certain investors and Microbot Israel shareholders. The principal and accrued but unpaid interest on the 2016 Notes converted, at a 20% discount, into common stock upon the consummation of the Merger. The table below sets forth the 2016 Notes with aggregate principal in excess of $120,000 that were purchased by Microbot Israel's directors, executive officers and holders of more than 5% of its capital stock.

Name of 2016 Bridge Note Holder	Outstanding Principal Purchased in 2016
Alpha Capital Anstalt	$ 400,000
Saber Holding GmbH	$ 175,000
Leon Lewkowicz	$ 175,000

Microbot Israel entered into a license agreement with Technion Research and Development Foundation Ltd., or TRDF, in 2012 pursuant to which Microbot Israel obtained an exclusive, worldwide, royalty-bearing, sub-licensable license to certain patents and inventions relating to the SCS and TipCAT technology platforms. TRDF is a founding member of Microbot and current beneficially owns approximately 14.5% of Microbot's ordinary shares on an as converted basis. See "Description of Business – Intellectual Property" for a description of this agreement.

On August 15, 2016, Microbot Israel and Alpha Capital Anstalt ("Alpha Capital"), an existing shareholder of Microbot Israel, entered into an agreement pursuant to which, among other things, Alpha Capital agreed to fund a proposed $4 million private placement, which obligation would be reduced dollar-for-dollar by any third party investors investing in such private placement. This agreement was superseded by the Letter Agreement referred to below.

The Company entered into a letter agreement (the "Letter Agreement") with Alpha Capital, dated November 18, 2016 but effective November 28, 2016 pursuant to which Alpha Capital committed to make a cash investment into the Company, no later than December 31, 2016, in an amount equal to the difference between $4 million and the amount of cash released to the Company, by December 31, 2016, out of escrow pursuant to the Company's asset sale transaction with BOCO Silicon Valley, Inc., a California corporation. The Company waived Alpha Capital's commitments under the Letter Agreement.

On August 15, 2016, concurrently with the execution of the Merger Agreement, the Company issued a 5.0% secured note (the "Secured Note") to Alpha Capital, in the principal amount of $2 million, payable upon the earlier of (i) 30 days following the consummation of the Merger and (ii) December 31, 2016. In addition, on August 15, 2016, the Company and Alpha Capital entered into a Security Agreement to secure the Company's obligations under the Secured Note (the "Security Agreement"). The Company's obligations under the Secured Note were secured by a first priority security interest in all of the Company's intellectual property and certain other general assets. As of November 28, 2016, the Company entered into a Securities Exchange Agreement (the "Exchange Agreement") with Alpha Capital, providing for the issuance to Alpha Capital of a convertible promissory note by the Company (the "Convertible Note") in a principal amount of $2,028,767, which is equal to the principal and accrued interest under the Secured Note, in exchange for (a) the full satisfaction, termination and cancellation of the Secured Note and (b) the release and termination of the Security Agreement and the first priority security interest granted thereunder. The Convertible Note is convertible into the Company's common stock any time after November 28, 2017 until the maturity date of November 28, 2019, based on a conversion price of $0.64, subject to adjustments as provided in the Convertible Note and the other terms and the conditions specified in the Convertible Note. Pursuant to the terms of the Note, the Company is obligated to pay interest on the outstanding principal amount owed under the Note at a fixed rate per annum of 6.0%, payable at maturity or earlier conversion.

On December 16, 2016, the Company entered into a Securities Exchange Agreement with Alpha Capital, pursuant to which Alpha exchanged approximately 9,735,925 shares or rights to acquire shares of the common stock of the Company held by it, for approximately 9,736 shares of a newly designated class of Series A Convertible Preferred Stock, par value $0.01 per share. The common stock and common stock underlying the rights include all of the shares of common stock issued or issuable to Alpha Capital pursuant to the Merger. The closing of the exchange was effective as of December 27, 2017.

Director Independence

NASDAQ's listing standards and the Company's Corporate Governance Guidelines require that the Company's Board of Directors consist of a majority of independent directors, as determined under the applicable NASDAQ listing rules.

The independent members of our Board are Messrs. Waizer, Shoham, Bornstein, Mayer, Burell and Madden.

Item 14. Principal Accountant Fees and Services.

Audit and Tax Fees

The Board, upon the recommendation of the Audit Committee, has selected the independent accounting firm of Brightman Almagor Zohar & Co., a Member of Deloitte Touche Tohmatsu Limited, to audit the accounts of the Company for the year ending December 31, 2016.

The Audit Committee considered the tax compliance services provided by Brightman Almagor Zohar & Co., concluded that provision of such services is compatible with maintaining the independence of the independent accountants, and approved the provision by Brightman Almagor Zohar & Co. of tax compliance services with respect to the year ending December 31, 2016.

The Audit Committee received the following information concerning the fees of the independent accountants for the years ended December 31, 2016 and 2015, has considered whether the provision of these services is compatible with independence of the independent accountants, and concluded that it is:

	Year Ended	
	12/31/16	12/31/15
Audit Fees (1)	$ 35,000	$ 35,000
Audit-Related Fees	–	–
Tax Fees	–	–
All Other Fees	–	–

(1) Audit fees represents fees for the integrated audit of our annual consolidated financial statements and reviews of the interim consolidated financial statements, and review of audit-related SEC filings; also includes fees related to issuing comfort letter(s). Also includes tax filing fees.

Audit and tax fees include administrative overhead charges and reimbursement for out-of-pocket expenses.

Pre-Approval Policies and Procedures

The Audit Committee has adopted policies and procedures for pre-approving all services (audit and non-audit) performed by our independent auditors. In accordance with such policies and procedures, the Audit Committee is required to pre-approve all audit and non-audit services to be performed by the independent auditors in order to assure that the provision of such services is in accordance with the rules and regulations of the SEC and does not impair the auditors' independence. Under the policy, pre-approval is generally provided up to one year and any pre-approval is detailed as to the particular service or category of services and is subject to a specific budget. In addition, the Audit Committee may pre-approve additional services on a case-by-case basis. During 2015 and through November 28, 2016, Microbot Israel did not have a standing audit committee.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) Financial Statements:

The financial statements are filed as part of this Annual Report on Form 10-K commencing on page F-1 and are hereby incorporated by reference

(2) Financial Statement Schedules:

The financial statement schedules are omitted as they are either not applicable or the information required is presented in the financial statements and notes thereto.

(3) Exhibits:

The documents set forth below are filed herewith or incorporated by reference to the location indicated.

Exhibit No.	Title or Description
2.1	Agreement and plan of merger and Reorganization, dated as of August 15, 2016, by and among StemCells, Inc., C&RD Israel Ltd. and Microbot Medical Ltd.(1)
3.1	Restated Certificate of Incorporation of the Registrant(2)
3.2	Certificate of Amendment to the Restated Certificate of Incorporation of the Registrant(3)
3.3	Amended and Restated By-Laws of the Registrant(4)
3.4	Certificate of Designations of Preferences, Rights and Limitations of the Series A Convertible Preferred Stock(5)
4.1	Form of Series A Warrant(6)
4.2	Form of Series B Warrant(6)
10.1	Letter Agreement between the Company and Alpha Capital Anstalt(3)
10.2	Securities Exchange Agreement between the Company and Alpha Capital Anstalt(3)
10.3	Convertible Promissory Note in favor of Alpha Capital Anstalt(3)
10.4	Form of Indemnification Agreement, by and between the Company and each of its directors and officers(3)
10.5*	Employment Agreement with Harel Gadot(3)
10.6*	Services Agreement with DBN Finance Services Ltd.(3)
10.7*	Employment Agreement with Yehezkel Himelfarb(7)
10.8	Securities Exchange Agreement with Alpha Capital Anstalt(5)
10.9	Form of Securities Purchase Agreement, dated as of January 5, 2017(8)
10.10	Placement Agent Agreement, dated as of January 4, 2017(8)
10.11	Asset Purchase Agreement, dated as of November 11, 2016, by and among StemCells, Inc., Stem Cell Sciences Holdings Limited, Stemcells California, Inc., and Boco Silicon Valley, Inc.
10.12	Escrow Agreement, as of November 11, 2016, by and among BOCO Silicon Valley, Inc., StemCells, Inc., Continental Stock Transfer & Trust Company, Kenneth B. Stratton and Alpha Capital Anstalt
10.13	Contract Research Agreement, dated as of January 27, 2017, with The Washington University
10.14	License Agreement, as of June 20, 2012, by and between Technion Research and Development Foundation, and Microbot Medical Ltd.
10.15*	2013 Equity Incentive Plan(9)
10.16*	Letter agreement, dated January 10, 2016, between the Registrant and Martin McGlynn(10)
10.17*	Severance Buy-Out Agreement, Compromise and Release, by and between StemCells, Inc. and Ken Stratton, dated June 6, 2016(11)
10.18*	Severance Buy-Out Agreement, Compromise and Release, by and between StemCells, Inc. and Gregory Schiffman, dated June 6, 2016(11)
10.19*	Severance Buy-Out Agreement, Compromise and Release, by and between StemCells, Inc. and Ian Massey, dated June 6, 2016(11)
10.20*	Cooperation and Consulting Agreement, by and between StemCells, Inc. and Ken Stratton, dated June 6, 2016(11)
10.21*	Cooperation and Consulting Agreement, by and between StemCells, Inc. and Gregory Schiffman, dated June 6, 2016(11)
10.22*	Cooperation and Consulting Agreement, by and between StemCells, Inc. and Ian Massey, dated June 6, 2016(11)
10.23	Trust Agreement, by and between the StemCells, Inc. and David A Bradlow, dated June 16, 2016(11)
10.24	Form of Voting Agreement, dated as of August 15, 2016, by and among StemCells, Inc., and certain stockholders of Microbot Medical Ltd. (1)
10.25	5.00% Secured Note issued on August 15, 2016 by StemCells, Inc. (1)
10.26	Asset Purchase Agreement, dated as of July 13, 2016, by and between StemCells, Inc. and Miltenyi Biotec, Inc. (1)
10.27	Settlement Agreement, dated as of July 29, 2016, by and among BMR-Pacific Research Center LP and StemCells, Inc. (1)
21.1	Subsidiaries of the Registrant
31.1	Certification Pursuant to Securities Exchange Act Rule 13(a)-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Harel Gadot, Chief Executive Officer)
31.2	Certification Pursuant to Securities Exchange Act Rule 13(a)-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (David Ben Naim, Chief Financial Officer)
32.1	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Harel Gadot, Chief Executive Officer)
32.2	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (David Ben Naim, Chief Financial Officer)
101.INS	XBRL Instance
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Labels
101.Pre	XBRL Taxonomy Extension Presentation

(1) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on August 15, 2016.
(2) Incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and filed on March 15, 2007.
(3) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on November 29, 2016.
(4) Incorporated by reference to the Registrant's Current report on Form 8-K filed on May 3, 2016.
(5) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on December 16, 2016.
(6) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on March 11, 2016.
(7) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on December 8, 2016.
(8) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on January 5, 2017.
(9) Incorporated by reference to the Registrant's definitive proxy statement filed October 31, 2013.
(10) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended March 31, 2016, filed on May 10, 2016.
(11) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2016, filed on August 15, 2016.

* Indicates Management contract or compensatory plan or arrangement

SIGNATURES

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

MICROBOT MEDICAL INC.

/s/ Harel Gadot
Harel Gadot
President, Chief Executive Officer and Chairman

Dated: March 21, 2017

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

Signature	Title	Date
/s/ Harel Gadot **Harel Gadot**	Chairman, President and Chief Executive Officer (Principal Executive Officer)	March 21, 2017
/s/ David Ben Naim **David Ben Naim**	Chief Financial Officer (Principal Financial and Accounting Officer)	March 21, 2017
/s/ Moshe Shoham **Moshe Shoham**	Director	March 21, 2017
/s/ Yoav Waizer **Yoav Waizer**	Director	March 21, 2017
/s/ Yoseph Bornstein **Yoseph Bornstein**	Director	March 21, 2017
/s/ Solomon Mayer **Solomon Mayer**	Director	March 21, 2017
/s/ Scott Burell **Scott Burell**	Director	March 21, 2017
/s/ Martin Madden **Martin Madden**	Director	March 21, 2017

MICROBOT MEDICAL INC.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2016

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF
MICROBOT MEDICAL INC.

We have audited the accompanying consolidated balance sheet of Microbot Medical Inc. and its subsidiaries (the "Company") as of December 31, 2016 and the related consolidated statement of comprehensive loss, stockholders' equity, and cash flows for the year in the period ended December 31, 2016. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and the results of its operations and cash flows for the year in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America.

Brightman Almagor Zohar & Co.
Certified Public Accountants
Member of Deloitte Touche Tohmatsu Limited

Tel Aviv, Israel
March 21, 2017

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
MICROBOT MEDICAL LTD.

We have audited the accompanying financial statements of Microbot Medical Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2015 and the related statement of comprehensive loss, statements of changes in shareholders' deficit and statements of cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and the results of operations, changes in shareholders' equity and cash flows for the year then ended in accordance with generally accepted accounting principles in the United States of America.

Without qualifying our opinion, we draw attention to Note 1 to the financial statements regarding risk factors and the Company's business condition. As described in that note, the Company is dependent on outside financing and on the continuing support of its investors.

Brightman Almagor Zohar & Co.
Certified Public Accountants
Member of Deloitte Touche Tohmatsu Limited
Israel
July 27, 2016

MICROBOT MEDICAL INC.
Consolidated Balance Sheets

	Note	As of December 31, 2016	2015
		(in thousands)	
ASSETS			
Current assets:			
Cash and cash equivalents	3	$ 2,709	$ 437
Other receivables	4	606	54
		3,315	491
Fixed assets, net	5	53	38
		$ 3,368	$ 529
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Trade payables		$ 201	$ 25
Accrued liabilities	6	582	149
		783	174
Long term liabilities:			
Convertible notes	7	76	419
Derivative warrant liability	8	313	-
		389	419
Commitments	9		
Temporary equity:	10		
Common stock of $0.01 par value; issued and outstanding: 10,702,838 shares as of December 31, 2016		500	-
Shareholders' equity (deficit)*:			
Preferred stock of $0.01 par value (Microbot Medical Ltd.); Authorized: 11,610,843 shares as of December 31, 2015; issued and outstanding: 8,708,132 shares as of December 31, 2015	10	-	87
Preferred stock of $0.01 par value (Microbot Medical Inc.); Authorized: 1,000,000 shares as of December 31, 2016; issued and outstanding: 9,736 shares as of December 31, 2016	10	-	-
Common stock of $0.01 par value; Authorized: 220,000,000 and 58,054,213 shares as of December 31, 2016, and December 31, 2015, respectively; issued and outstanding: 15,848,136 and 13,182,660 shares as of December 31, 2016, and December 31, 2015, respectively		266	132
Additional paid-in capital		14,465	3,089
Accumulated deficit		(13,035)	(3,372)
		1,696	(64)
		$ 3,368	$ 529

* December 31 2015 share data represents the legal equity structure of Microbot Medical Ltd. with the number of shares adjusted to retroactively reflect the one-to-nine Reverse Stock Split effected on November 28, 2016 as well as the reverse recapitalization consummated on November 28 2016.

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

MICROBOT MEDICAL INC.
Consolidated Statements of Comprehensive Loss

	Note	Years ended December 31, 2016	2015
		(in thousands, except per share data)	
Research and development expenses, net	12	$ 901	$ 823
General and administrative expenses	13	8,734	92
Operating loss		(9,635)	(915)
Financing income (expenses), net	14	(28)	(6)
Net loss		$ (9,663)	$ (921)
Basic and diluted net loss per share	11	$ 0.40	$ 0.04

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

MICROBOT MEDICAL INC.
Consolidated Statements of Shareholder's Equity (Deficit)
(Dollars in Thousands)

	Temporary equity	Preferred A Shares – Microbot Medical Ltd. (Pre - merger)*		Preferred A Shares – Microbot Medical Inc. (Post - merger)*		Common Stock		Additional paid-in	Accumulated	Total shareholders' equity
		Numer	Amount	Number	Amount	Number	Amount	capital	deficit	(deficit)
Balance, December 31, 2014	$ -	8,708,132	$ 87	-	-	13,182,660	$ 132	$ 3,089	$ (2,451)	$ 857
Net loss	-	-	-	-	-	-	-	-	(921)	(921)
Balances, December 31, 2015	-	8,708,132	87	-	-	13,182,660	132	3,089	(3,372)	(64)
Conversion of convertible notes and exercise of warrants issued upon conversion	-	4,746,237	48	-	-	-	-	1,803	-	1.851
Effect of reverse recapitalization	-	(13,454,369)	(135)	-	-	15,301,675	153	454	-	472
Common Stock classified as temporary equity	500	-	-	-	-	-	-	(500)	-	(500)
Beneficial Conversion Feature recorded on convertible debt acquired in reverse recapitalization	-	-	-	-	-	-	-	2,029	-	2,029
Transaction costs incurred in reverse recapitalization	-	-	-	-	-	7,802,639	78	6,817	-	6,895
Cancellation of ordinary shares and issuance of preferred shares	-	-	-	9,736	-	(9,736,000)	(97)	97	-	
Share based compensation	-	-	-	-	-	-	-	676	-	676
Net loss	-	-	-	-	-	-	-	-	(9,663)	(9,663)
Balances, December 31, 2016	$ 500	-	-	9,736	-	**26,550,974	$ 266	$ 14,465	$ (13,035)	$ 1,696

* Share data for periods prior to the reverse recapitalization represents the legal equity structure of Microbot Medical Ltd. with the number of shares adjusted to retroactively reflect the one-to-nine Reverse Stock Split effected on November 28, 2016 as well as the reverse recapitalization consummated on November 28, 2016

** Includes 10,702,838 shares of common stock classified as temporary equity.

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

MICROBOT MEDICAL INC.
Consolidated Statements of Cash Flows

	Years ended December 31,	
	2016	2015
	(in thousands)	
OPERATING ACTIVITIES		
Net loss	$ (9,663)	$ (921)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	10	17
Interest and revaluation of convertible notes, net	333	7
Share based transaction costs incurred in reverse recapitalization	7,258	-
Changes in fair value of derivative warrant liability	(262)	-
Share-based compensation expense	676	-
Changes in assets and liabilities:		
Increase in other receivables	538	66
Increase in other payables and accrued liabilities	324	66
Net cash used in operating activities	(786)	(765)
INVESTMENT ACTIVITIES		
Purchase of property and equipment	(25)	(2)
Net cash used in investing activities	(25)	(2)
FINANCING ACTIVITIES		
Acquisition of a subsidiary in connection with reverse recapitalization	269	-
Transaction costs incurred in reverse recapitalization	(347)	-
Inflows in connection with current assets and liabilities acquired in reverse recapitalization, net	2,002	-
Exercise of warrants issued upon conversion of notes	409	-
Issuance of convertible notes	750	413
Net cash provided by financing activities	3,083	413
Increase (decrease) in cash and cash equivalents	2,272	(354)
Cash and cash equivalents at the beginning of the year	437	791
Cash and cash equivalents at the end of the year	$ 2,709	$ 437

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

MICROBOT MEDICAL INC.
Consolidated Statements of Cash Flows

Supplemental information for Cash Flow:

Assets acquired (liabilities assumed):		**As of November 28, 2016 (in thousands)**
Current assets excluding cash and cash equivalents	$	(3,618)
Current liabilities		811
Derivative warrant liability		575
Convertible note		2,029
Reverse recapitalization effect on equity		472
Cash acquired in connection with reverse recapitalization	$	269

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

NOTE 1 GENERAL

A. Description of business:

Microbot Medical Inc. (the "Company") is a pre-clinical medical device company specializing in the research, design and development of next generation micro-robotics assisted medical technologies targeting the minimally invasive surgery space. The Company is primarily focused on leveraging its micro-robotic technologies with the goal of improving surgical outcomes for patients.

It was incorporated on August 2, 1988 in the State of Delaware under the name Cellular Transplants, Inc. The original Certificate of Incorporation was restated on February 14, 1992 to change the name of the Company to CytoTherapeutics, Inc. On May 24, 2000, the Certificate of Incorporation as restated was further amended to change the name of the Company to StemCells, Inc.

On November 28, 2016, the Company consummated a transaction pursuant to an Agreement and Plan of Merger, dated August 15, 2016, with Microbot Medical Ltd., a private medical device company organized under the laws of the State of Israel ("Microbot Israel"), and C&RD Israel Ltd. ("Merger Sub"), an Israeli corporation and wholly-owned subsidiary of the Company, whereby Merger Sub merged with and into Microbot Israel and Microbot Israel surviving as a wholly-owned subsidiary of the Company (the "Merger"). Pursuant to the terms of the Merger, at the effective time of the Merger, each outstanding ordinary share of Microbot Israel capital stock was converted into the right to receive approximately 2.9 shares of the Company's common stock, par value $0.01 per share, after giving effect to a one for nine reverse stock split (the "Reverse Stock Split"), for an aggregate of 26,550,974 shares of Company's common Stock issued to the former Microbot Israel shareholders. In addition, all outstanding options to purchase the ordinary shares of Microbot Israel were assumed by the Company and converted into options to purchase an aggregate of 2,614,916 shares of the Company's common Stock. Additionally, the Company issued an aggregate of 7,802,639 restricted shares of its common stock or rights to receive the Company's common stock, to certain advisers. On the same day and in connection with the Merger, the Company changed its name from StemCells, Inc. to Microbot Medical Inc. On November 29, 2016, the Company's common stock began trading on the Nasdaq Capital Market under the symbol "MBOT".

As a result of the Merger Microbot Israel became a wholly owned subsidiary of the Company. The transaction between the Company and Microbot Israel was accounted for as a reverse recapitalization. As the shareholders of Microbot Israel received the largest ownership interest in the Company, Microbot Israel was determined to be the "accounting acquirer" in the reverse recapitalization. As a result, the historical financial statements of the Company were replaced with the historical financial statements of Microbot Israel. Unless indicated otherwise, pre-acquisition share, options and warrants data included in these financial statements is retroactively adjusted to reflect the Reverse Stock Split and the Merger.

Prior to the Merger, the Company was a biopharmaceutical company that conducts research, development, and commercialization of stem cell therapeutics and related technologies. Substantially the sale of all material assets relating to the stem cell business were completed on November 29, 2016.

The Company and its subsidiaries are collectively referred to as the "Company". "StemCells" or "StemCells, Inc." refers to the Company prior to the Merger.

B. Risk factors:

To date the Company has not generated revenues from its operations. As of the date of issuance of these financial statements, the Company has a cash and cash equivalent balance of approximately $6.7 million, which the Company believes is sufficient to fund its operations for more than 12 months from the date of issuance of these financial statements and sufficient to fund its operations necessary to continue development activities of its current proposed products. The Company plans to continue to fund its current operations as well as other development activities relating to additional product candidates, through future issuances of either debt and/or equity securities and possibly additional grants from the Israeli Innovation Authority.

NOTE 1 GENERAL (Cont.)

C. Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions pertaining to transactions and matters whose ultimate effect on the financial statements cannot precisely be determined at the time of financial statements preparation. Although these estimates are based on management's best judgment, actual results may differ from these estimates.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the financial statements are as follows:

A.Basis of presentation:

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

B. Financial statement in U.S. dollars:

The functional currency of the Company is the U.S. dollar ("dollar") since the dollar is the currency of the primary economic environment in which the Company has operated and expects to continue to operate in the foreseeable future.

Transactions and balances denominated in dollars are presented at their original amounts. Transactions and balances denominated in foreign currencies have been re-measured to dollars in accordance with the provisions of ASC 830-10, "Foreign Currency Translation".

All transaction gains and losses from re-measurement of monetary balance sheet items denominated in non-dollar currencies are reflected in the statement of operations as financial income or expenses, as appropriate.

C. Cash and cash equivalents:

Cash and cash equivalents consist of cash and demand deposits in banks, and other short-term liquid investments (primarily interest-bearing time deposits) with original maturities of less than three months.

D. Fair value of financial instruments:

The carrying values of cash and cash equivalents, other receivable and other accounts payable approximate their fair value due to the short-term maturity of these instruments.

The Company measures the fair value of certain of its financial instruments (such as the derivative warrant liabilities) on a recurring basis. The method of determining the fair value of derivative warrant liabilities is discussed in Note 8.

A fair value hierarchy is used to rank the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as unadjusted quoted prices for similar assets and liabilities, unadjusted quoted prices in the markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. Fixed assets:

Fixed assets are presented at cost, net of investment grants received and less accumulated depreciation. Depreciation is calculated based on the straight-line method over the estimated useful lives of the assets, as the following annual rates:

	%
Research equipment and software	25-33
Leasehold improvements	10
Furniture and office equipment	7

F. Liabilities due to termination of employment agreements

Under Israeli employment laws, employees of Microbot Israel are included under Article 14 of the Severance Compensation Act, 1963 ("Article 14") for a portion of their salaries. According to Article 14, these employees are entitled to monthly deposits made by Microbot Israel on their behalf with insurance companies.

Payments in accordance with Article 14 release Microbot Israel from any future severance payments (under the Israeli Severance Compensation Act, 1963) with respect of those employees. The aforementioned deposits are not recorded as an asset in the Company's balance sheet, and there is no liability recorded as the Company does not have a future obligation to make any additional payments.

G. Basic and diluted net loss per share

Basic net loss per share is computed by dividing net loss, as adjusted to include preferred shares dividend participation rights by the weighted average number of common shares outstanding during the year. Common shares and preferred shares contingently issuable for little or no cash are included in basic net loss per share on an as issued basis.

Diluted net loss per share is computed by dividing net loss, as adjusted to include preferred shares dividend participation rights of preferred shares outstanding during the year as well as of preferred shares that would have been outstanding if all potentially dilutive preferred shares had been issued, by the weighted average number of common shares outstanding during the year, plus the number of common shares that would have been outstanding if all potentially dilutive common shares had been issued, using the treasury stock method, in accordance with ASC 260-10 "Earnings per Share".

The weighted average number of shares outstanding has been retroactively restated for the equivalent number of shares received by the accounting acquirer as a result of the reverse recapitalization as if these shares had been outstanding as of the beginning of the earliest period presented.

H. Research and development expenses, net:

Research and development expenses are charged to the statement of operations as incurred. Grants for funding of approved research and development projects are recognized at the time the Company is entitled to such grants, on the basis of the costs incurred and applied as a deduction from the research and development expenses.

I. Convertible notes:

Proceeds from the sale of debt securities with a conversion feature are allocated to equity based on the intrinsic value of such conversion feature in accordance with ASC 470-20 "Debt with Conversion and Other Options", with a corresponding discount on the debt instrument recorded in liabilities which is amortized in finance expense over the term of the Notes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.).

Convertible notes with characteristics of both liabilities and equity are classified as either debt or equity based on the characteristics of its monetary value, with convertible notes classified as debt being measured at fair value, in accordance with ASC 480-10, "Accounting for Certain Financial instruments with Characteristics of both Liabilities and Equity".

J. Share-based compensation:

The Company applies ASC 718-10, "Share-Based Payment," which requires the measurement and recognition of compensation expenses for all share-based payment awards made to service providers, employees and directors including stock options under the Company's stock plans based on estimated fair values.

ASC 718-10 requires companies to estimate the fair value of stock options using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's statement of operations.

The Company estimates the fair value of stock options granted as share-based payment awards using a Black-Scholes options pricing model. The option-pricing model requires a number of assumptions, of which the most significant are share price, expected volatility and the expected option term (the time from the grant date until the options are exercised or expire). Expected volatility is estimated based on volatility of similar companies in the technology sector for equity awards granted prior to the Merger and on the Company's trading share price for equity awards granted subsequent to the Merger. The Company has historically not paid dividends and has no foreseeable plans to issue dividends. The risk-free interest rate is based on the yield from governmental zero-coupon bonds with an equivalent term. The expected stock option term is calculated for stock options granted to employees and directors using the "simplified" method. Grants to non-employees are based on the contractual term. Changes in the determination of each of the inputs can affect the fair value of the stock options granted and the results of operations of the Company.

K. Reclassification:

Certain prior year amounts have been reclassified to conform to the current year presentation.

L. Transaction Costs:

Transaction costs incurred in the Merger were charged directly to equity to the extent of cash and net other current assets acquired. Transaction costs in excess of cash acquired were charged to general and administrative expenses.

M. Recent Accounting Standards:

In May 2014, the Financial Accounting Standards Board (the "FASB") issued a new standard to achieve a consistent application of revenue recognition within the U.S., resulting in a single revenue model to be applied by reporting companies under U.S. generally accepted accounting principles. Under the new model, recognition of revenue occurs when a customer obtains control of the promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new standard requires that reporting companies disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective for us beginning in the first quarter of 2018; early adoption is prohibited. The new standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. As the Company has not incurred revenues to date, it is unable to determine the expected impact the new standard will have on its consolidated financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.).

In January 2016, the FASB issued ASU 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities", which provides targeted improvements to the recognition, measurement, presentation and disclosure of financial assets and financial liabilities. Specific accounting areas addressed include, equity investments, financial liabilities reported under the fair value option and valuation allowance assessment resulting from unrealized losses on available-for-sale securities. The standard also changes certain presentation and disclosure requirements for financial instruments. This ASU is effective for the Company in its first quarter of fiscal year 2019. Early adoption, with certain exceptions, is not permitted. The Company does not expect that the adoption of this standard will have a significant impact on the financial position or results of operations.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), which amends, among other things, the existing guidance by requiring lessees to recognize lease assets (right-to-use) and liabilities (for reasonably certain lease payments) arising from operating leases on the balance sheet. For leases with a term of twelve months or less, ASU 2016-02 permits an entity to make an accounting policy election to recognize such leases as lease expense, generally on a straight-line basis over the lease term. ASU 2016-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 using a modified retrospective approach, with early adoption permitted. The Company is currently evaluating ASU 2016-02 and its impact on its consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"), which simplifies certain provisions associated with the accounting for stock compensation. Among other things, ASU 2016-09 requires companies to record excess tax benefits and tax deficiencies as income tax benefit or expense in the statement of income and eliminates the requirement to reclassify cash flows related to excess tax benefits from operating activities to financing activities in the statement of cash flows. ASU 2016-09 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016, with early adoption permitted. The Company is currently reviewing and evaluating this guidance and its impact on its consolidated financial statements.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, Financial Instruments – Credit Losses – Measurement of Credit Losses on Financial Instruments, which introduces a model based on expected losses to estimate credit losses for most financial assets and certain other instruments. In addition, for available-for-sale debt securities with unrealized losses, the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. The standard is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted for annual reporting periods beginning after December 15, 2018. The Company is evaluating the impact of the adoption on our consolidated balance sheet, results of operations, cash flows and disclosures.

NOTE 3 - CASH AND CASH EQUIVALENTS

	As of December 31,	
	2016	2015
	(in thousands)	
Cash	$ 2,709	$ 427
Deposits	-	10
	2,709	$ 437

NOTE 4 - OTHER RECEIVABLES

	As of December 31,	
	2016	2015
	(in thousands)	
Deposit in escrow account (*)	$ 505	$ -
Government institutions	15	14
Prepaid expenses	86	25
Shareholders	-	15
	$ 606	$ 54

(*) Purchase Agreement with BOCO. On November 11, 2016, the Company together with two of its wholly-owned subsidiaries, Stem Cell Sciences Holdings Limited and StemCells California, Inc. (collectively, with the Company, the "Sellers"), entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with BOCO Silicon Valley, Inc., a California corporation and wholly-owned subsidiary of Bright Oceans Corporation ("BOCO US").

Pursuant to the terms and subject to the conditions set forth in the Asset Purchase Agreement, the Sellers sold to BOCO US certain stem and progenitor cell lines that have been researched, studied or manufactured by the Company since 2007 (the "Cell Lines") and certain other tangible and intangible assets, including intellectual property and books and records, related to the foregoing (together with the Cell Lines, the "Assets") in exchange for $4 million in cash (the "Asset Consideration").

Of the Asset Consideration, $300,000 was provided to the Company prior to November 11, 2016 in exchange for the Sellers' agreement not to solicit or reach any agreement with any third party pertaining to the sale of the Assets, and $400,000 will remain in a twelve-month escrow for the benefit of BOCO US to satisfy certain indemnification obligations of the Sellers which may arise and which, subject to any valid indemnification claims of BOCO US, will be released to the Company at the end of such 12-month period. In addition, sixteen former employees of the Company received, in the aggregate, $495,000, in accordance with their June 2016 agreements with the Company under which each accepted a more than 50% reduction in his or her severance award otherwise payable.

The Asset Purchase Agreement contains certain covenants prohibiting the Sellers from, during the four-year period immediately following the completion of the Asset Sale, (a) engaging in or having certain financial interests in a business that is engaged in the research, development or commercialization of the Cell Lines, or (b) soliciting for employment employees of BOCO US.

On November 29, 2016, the Sellers completed the sale of the Assets.

The opening balance sheet as of the Merger date included a receivable balance with respect to sale of the Assets of $3.5 million, from which $2.8 million were collected prior to December 31, 2016.

NOTE 5 - FIXED ASSETS, NET

	As of December 31,	
	2016	2015
	(in thousands)	
Cost:		
Research equipment and software	$ 54	$ 29
Furniture and office equipment	63	63
	117	92
Accumulated Depreciation:		
Research equipment and software	22	18
Furniture and office equipment	42	36
	64	54
	$ 53	$ 38

NOTE 6 - ACCRUED LIABILITIES

	As of December 31,	
	2016	2015
	(in thousands)	
Employees	$ 102	$ 121
Government institution	24	18
Other current liabilities	456	-
Israeli Innovation Authority	-	10
	$ 582	$ 149

NOTE 7 - CONVERTIBLE LOAN FROM SHAREHOLDERS

On October 8, 2015, Microbot Israel entered into a convertible loan agreement with several investors who were also existing shareholders. According to the loan agreement, Microbot Israel received an amount of $419,000. The loan bore interest of 10%, and was converted to both equity shares and preferred shares warrants of Microbot Israel on the nine-month anniversary of the loan. The Company concluded the conversion feature is not a Beneficial Conversion Feature pursuant to the provisions of ASC 470-20, "Debt with Conversion and Other Options". Accordingly, the proceeds were recorded in liabilities in their entirety at the date of issuance.

On July 7, 2016, the outstanding principal and accrued interest were converted into 1,315,023 Series A preferred shares, of Microbot Israel (the "Series A Preferred Shares") and 1,188,275 warrants to purchase the Series A Preferred Shares, at an exercise price of $1.00 per share. The preferred shares warrants were exercised in full in September 2016 for total gross proceeds to Microbot Israel of $409,750.

On May 11, 2016, Microbot Israel entered into a convertible loan agreement with several investors who were also existing shareholders. The loan bore interest at a fixed rate of 10% per annum beginning on the issuance date.

At maturity, all of the outstanding principal and accrued interest was converted into Microbot Israel's ordinary shares subject to the conversion or default events specified in the loan agreement, based on a conversion price that represents a 20% discount on Microbot Israel's valuation upon such default events. Furthermore, in the event of a reverse merger transaction or a qualified financing, each as defined in the convertible loan agreement with respect to such loans, all of the outstanding principal and accrued interest would be converted into the securities issued in the reverse merger or the qualified financing, as the case may be.

On November 28, 2016, upon the consummation of the Merger, the loan was converted into an aggregate of 2,242,939 shares of Company's common stock.

The Company concluded the value of the loan is predominantly based on a fixed monetary amount known at the date of issuance as represented by the 20% discount on the Company's valuation. Accordingly, the loan was classified as debt and is measured at its fair value, pursuant to the provisions of ASC 480-10, "Accounting for Certain Financial instruments with Characteristics of both Liabilities and Equity".

The fair value of the loan is measured based on observable inputs as the fixed monetary value of the variable amount of shares to be issued upon conversion (level 2 measurement).

NOTE 7 - CONVERTIBLE LOAN FROM SHAREHOLDERS (Cont.).

Secured Note to Alpha Capital Anstalt:

On August 15, 2016, concurrent with the execution of the Agreement and Plan of Merger (see Note 1A), StemCells Inc issued a 5.0% secured note (the "Note") to Alpha Capital Anstalt ("Alpha Capital"), in the principal amount of $2 million, for value received, payable upon the earlier of (i) 30 days following the consummation of the Merger and (ii) December 31, 2016. Proceeds from the Note were used for the payment of costs and expenses in connection with the Merger and operational expenses leading to such Closing.

The Note bears interest at 5% per annum, payable monthly in arrears on the first of the month, beginning on January 1, 2017 until the principal amount is paid in full. In addition, the Note is secured by a first priority security interest in all of the Company's intellectual property and certain other general assets pursuant to a Security Agreement.

Securities Exchange Agreement with Alpha Capital:

As of the effective time of the Merger, the Company entered into a Securities Exchange Agreement (the "Exchange Agreement") with Alpha Capital, providing for the issuance to Alpha Capital of a convertible promissory note by the Company (the "Convertible Note") in a principal amount of $2,028,767, which is equal to the principal and accrued interest under the Note, in exchange for (a) the full satisfaction, termination and cancellation of the Note and (b) the release and termination of the Security Agreement and the first priority security interest granted thereunder.

The Convertible Note is convertible into the Company's Common Stock any time after November 28, 2017 and until the maturity date of November 28, 2019, based on a conversion price of $0.64, subject to adjustments as provided in the Exchange Agreement.

Pursuant to the terms of the Convertible Note, the Company is obligated to pay interest on the outstanding principal amount owed under the Convertible Note at a fixed rate per annum of 6.0%, payable at maturity or earlier upon conversion. The Exchange Agreement contains customary representations and warranties and usual and customary affirmative and negative covenants. The Convertible Note also contains certain customary events of default.

As the Exchange Agreement represented the consummation of the original intent of the Company and Alpha Capital, as of the date of execution of the Merger Agreement (August 2016), to enter into a $2 million convertible note sale transaction, upon the consummation of the Merger, the Company accounted for the convertible note in accordance with such economic substance, as if it had been issued for a cash consideration equal to the principal and accrued interest on the Note, as of the effective date of the Merger, in the amount of $2,029,000 (the "Assumed Consideration"), which is equal to the principal amount of the Convertible Note as determined in the Exchange Agreement.

The Company concluded the conversion feature of the Convertible Note, based on the commitment date of November 28 2016 (the Exchange Agreement date), is a Beneficial Conversion Feature pursuant to the provisions of ASC 470-20, "Debt with Conversion and Other Options". Accordingly, $2,029,000 of the Assumed Consideration was recorded in equity with a corresponding discount on the Convertible Note, to be amortized over its term through maturity.

NOTE 8 - DERIVATIVE WARRANT LIABILITIES

As part of StemCell's obligations under the Merger Agreement, in August 2016, StemCells negotiated with certain institutional holders of its 2016 Series A and Series B Warrants, issued by prior to the Merger, to have such holders surrender their 2016 Series B Warrants in exchange for a reduced exercise price of $0.30 per share on their existing 2016 Series A Warrants and the elimination of the anti-dilution price protection in the 2016 Series A Warrants. As a result, the exercise price for all outstanding 2011 Series A Warrants and 2016 Series A and Series B Warrants was reset to $0.30 per share. Subsequent to the reset of the exercise price, an aggregate of 531,814 (from an outstanding aggregate of 578,081) 2011 Series A Warrants were exercised. For the exercise of these warrants, the Company issued 531,814 shares of its common stock prior to the Merger.

The remaining outstanding warrants and terms as of the closing date of the Merger (November 28, 2016) and as of Dec 31 2016 is as follows:

Issuance Date	Outstanding as of November 28, 2016	Exercise Price Per Share	Exercisable as of December 31, 2016	Exercisable Through
Series A (2011)	64,230	$151.20	–	December 2016
Series A (2013)	57,814	$194.40	57,814	October 2018
Series A (2013)	2,718	$183.60	2,718	April 2023
Series A (2015)	10,139	$91.80	10,139	April 2020
Series A (2016)(a)	10,047	$2.70	10,047	March 2018
Series B (2016)(a)	41,116	$2.70	41,116	March 2022

(a) These warrants contain a full ratchet anti-dilution price protection so that, in most situations upon the issuance of any common stock or securities convertible into common stock at a price below the then-existing exercise price of the outstanding warrants, the warrant exercise price will be reset to the lower common stock sales price.

As such anti-dilution price protection, does not meet the specific conditions for equity classification, the Company is required to classify the fair value of these warrants as a liability, with changes in fair value to be recorded as income (loss) due to change in fair value of warrant liability. The estimated fair value of our warrant liability at November 28, 2016 and December 31, 2016, was approximately $575,000 and $313,000, respectively.

As quoted prices in active markets for identical or similar warrants are not available, the Company uses directly observable inputs in the valuation of its derivative warrant liabilities (level 2 measurement).

The Company uses the Black-Scholes valuation model to estimate fair value of these warrants. In using this model, the Company makes certain assumptions about risk-free interest rates, dividend yields, volatility, expected term of the warrants and other assumptions. Risk-free interest rates are derived from the yield on U.S. Treasury debt securities. Dividend yields are based on our historical dividend payments, which have been zero to date. Volatility is estimated from the historical volatility of our common stock as traded on NASDAQ. The expected term of the warrants is based on the time to expiration of the warrants from the date of measurement.

The following table summarizes the observable inputs used in the valuation of the derivative warrant liabilities as of November 28, 2016 and December 31, 2016 (in thousands):

NOTE 8 - DERIVATIVE WARRANT LIABILITIES (Cont.).

	Series A (2011)	Series A (2013)	Series A (2013)	Series A (2015)	Series A (2016)	Series B (2016)	Total
Balances at November 28, 2016	$ -	$ 43	$ 18	$ 45	$ 81	$ 388	$ 575
Exercised	-	-	-	-	-	-	-
Cancelled	-	-	-	-	-	-	-
Changes in fair value	-	(31)	(9)	(23)	(38)	(161)	(262)
Balances at December 31, 2016	$ -	$ 12	$ 9	$ 22	$ 43	$ 227	$ 313

In accordance with ASC-820-10-50-2(g), the Company has performed a sensitivity analysis of the derivative warrant liabilities of the Company which are classified as level 3 financial instruments. The Company recalculated the value of warrants by applying a +/- 5% changes to the input variables in the Black-Scholes model that vary overtime, namely, the volatility and the risk free rate. A 5.0% decrease in volatility would decrease the value of the warrants to $301,000; a 5.0% increase in volatility would increase the value of the warrants to $312,000. A 5.0% decrease or increase in the risk free rate would not have materially changed the value of the warrants; the value of the warrants is not strongly correlated with small changes in interest rates.

NOTE 9 - COMMITMENTS

Microbot Israel obtained from the Israeli Innovation Authority grants for participation in research and development for the years 2013 through 2016 in the total amount of approximately $0.9 million, and, in return, Microbot Israel is obligated to pay royalties amounting to 3% of its future sales up to the amount of the grant. The grant is linked to the exchange rate of the dollar to the New Israeli Shekel and bears interest of Libor per annum.

The repayment of the grants is contingent upon the successful completion of the Company's research and development programs and generating sales. The Company has no obligation to repay these grants, if the project fails, is unsuccessful or aborted or if no sales are generated. The financial risk is assumed completely by the Government of Israel. The grants are received from the Government on a project-by-project basis.

Microbot Israel signed an agreement with the Technion Research and Development Foundation ("TRDF") in June 2012 by which TRDF transferred to Microbot Israel a global, exclusive, royalty-bearing license. As partial consideration for the license, Microbot Israel shall pay TRDF royalties on net sales (between 1.5%-3%) and on sublicense income as detailed in the agreement.

Lease Agreements:

In June 2016, the Company entered into an office lease agreement, with a term ending on September 30, 2017. According to the lease agreement, the monthly office lease payment is approximately $3,000.

In December 2016, the Company entered into certain lease agreements for automobiles, which will end on December 31, 2019. According to the lease agreements, the monthly automobile lease payments are approximately $2,500.

Compensation liability

The Company incurred compensation commitments of approximately $0.4 million to a former executive that management estimates as remote as therefore is not reflected in these consolidated financial statements.

NOTE 10 SHARE CAPITAL

Ordinary shares confer upon the holders voting rights and the right to receive cash and stock dividends.

Each share of the Series A Convertible Preferred Stock issued by the Company in December 2016, is convertible, at the option of the holder, into 1,000 shares of Common Stock, and confer upon the holder dividend rights on an as converted basis. The shares of Series A Preferred Stock do not confer upon the holder voting rights and do not confer upon the holder a preference upon a liquidation event.

Share Capital Developments:

The authorized capital stock consists of 221,000,000 shares of capital stock, which consists of 220,000,000 shares of common stock, par value $0.01 (the "Common Stock"), and 1,000,000 of undesignated preferred stock, par value $0.01 (the "Preferred Stock"). As of December 31, 2016, the Company had 26,550,974 shares of Common Stock issued and outstanding, and 9,736 shares of Series A Convertible Preferred Stock issued and outstanding.

On November 28, 2016, the Company filed a Certificate of Amendment to its Restated Certificate of Incorporation, as amended, with the Secretary of State of the State of Delaware to (i) effect the Reverse Stock Split, (ii) change its name from "StemCells , Inc." to "Microbot Medical Inc." and (iii) increase the number of authorized shares of the Common Stock from 200,000,000 to 220,000,000 shares (the "Certificate of Amendment").

As a result of the Reverse Stock Split, the number of issued and outstanding shares of the Common Stock immediately prior to the Reverse Stock Split were reduced into a smaller number of shares, such that every nine shares of the Common Stock held by a stockholder immediately prior to the Reverse Stock Split were combined and reclassified into one share of the Common Stock.

Immediately following the Reverse Stock Split and the Merger, there were 36,254,240 shares of the Common Stock issued and outstanding, which included certain rights to receive shares of Common Stock or equivalent securities but excludes shares underlying outstanding stock options and warrants and the Convertible Note.

On December 27, 2016, the Company exchanged 9,735,925 shares or rights to acquire shares of its Common Stock, for 9,736 shares of a newly designated class of Series A Convertible Preferred Stock.

Employee Stock Option Grant:

In September 2014, Microbot Israel's board of directors approved a grant of 403,592 stock options (1,167,693 stock options as retroactively adjusted to reflect the Merger) to its CEO, through MEDX Venture Group LLC. Each option was exercisable into an ordinary share, at an exercise price of $0.8 ($0.28 as retroactively adjusted to reflect the Merger). The stock options were fully vested at the date of grant.

On May 2, 2016, Microbot Israel's board of directors approved a grant of 500,000 stock options (1,447,223 as retroactively adjusted to reflect the Merger) to certain of its employees and directors. Each stock option was exercisable into an ordinary share, NIS 0.001 par value, of Microbot Israel, at an exercise price equal to the ordinary share's par value. The stock options were fully vested at the date of grant. As a result, the Company recognized compensation expenses in the amount of $675,389 included in general and administrative expenses. As the exercise price of the stock options is nominal, Microbot Israel estimated the fair value of the options as equal to the Company's share price of $1.35 ($0.47 as retroactively adjusted to reflect the Merger) at the date of grant.

NOTE 10 SHARE CAPITAL (Cont.)

A summary of the Company's option activity related to options to employees and directors, and related information is as follows:

	For the year ended December 31, 2016		
	Number of stock options	Weighted average exercise price	Aggregate intrinsic value
Outstanding at beginning of period	1,167,693	$ 0.28	
Granted	1,447,223	(*)	
Exercised	-	-	
Cancelled	-	-	
Outstanding at end of period	2,614,916	$ 0.13	$ 15,611,049
Vested and expected-to-vest at end of period	2,614,916	$ 0.39	$ 15,611,049

(*) Less than $0.01.

	For the year ended December 31, 2015		
	Number of stock options	Weighted average exercise price	Aggregate intrinsic value
Outstanding at beginning of period	1,167,693	$ 0.28	
Granted	-	-	
Exercised	-	-	
Cancelled	-	-	
Outstanding at end of period	1,167,693	$ 0.28	$ -
Vested and expected-to-vest at end of period	1,167,693	$ 0.28	$ -

The aggregate intrinsic value in the table above represents the total intrinsic value (the difference between the fair market value of the Company's and Microbot Israel's common shares on December 31, 2016 and December 31, 2015 respectively and the exercise price, multiplied by the number of in-the-money stock options on those dates) that would have been received by the stock option holders had all stock option holders exercised their stock options on those dates.

The stock options outstanding as of December 31, 2016, and December 31, 2015, have been separated into exercise prices, as follows:

Exercise price	Stock options outstanding as of December 31,		Weighted average remaining contractual life – years as of December 31,		Stock options exercisable as of December 31,	
$	2016	2015	2016	2015	2016	2015
0.28	1,167,693	1,167,693	8.0	9.0	1,167,693	1,167,693
(*)	1,447,223	-	9.5	-	1,447,223	-
	2,614,916	1,167,693	7.4	8.2	2,614,916	1,167,693

(*) Less than $0.01.

NOTE 10 SHARE CAPITAL (Cont.)

Compensation expense recorded by the Company in respect of its stock-based employee compensation awards in accordance with ASC 718-10 for the year ended December 31, 2016 and 2015 was $675,389 and $186,000, respectively.

The fair value of the stock options is estimated at the date of grant using Black-Scholes options pricing model with the following weighted-average assumptions:

	Years ended December 31,	
	2016	2015
Expected volatility	77.3%	70.0%
Risk-free interest	0.6%	1.0%
Dividend yield	0%	0%
Expected life of up to (years)	5.0	5.0

Shares issued to service provider

In connection with the Merger, the Company issued an aggregate of 7,802,639 restricted shares of its common stock to certain advisors. The fair value of the award of $9,987,000 was estimated based on the Company's common share price of $1.28 as of the date of grant. The portion of the expense in excess of the cash and other current assets acquired in the Merger, in the amount of $7,262,000, was included in general and administrative expenses in the Statement of Operations.

Securities Exchange Agreement with Alpha Capital

On December 16, 2016, the Company entered into a Securities Exchange Agreement with Alpha Capital, pursuant to which Alpha Capital exchanged 9,736,000 shares of common stock or rights to acquire shares of the common stock held by it, for 9,736 shares of a newly designated class of Series A Convertible Preferred Stock, par value $0.01 per share (the "Preferred Stock"). The common stock and common stock underlying the rights to acquire common stock include all of the shares of common stock issued or issuable to Alpha Capital pursuant to the Merger.

The 9,735,925 shares of common stock and the rights to acquire common stock were cancelled and the Company's issued and outstanding shares of Common Stock were reduced to 26,518,315.

Repurchase of Shares

The Company intends to enter into a definitive agreement with up to three Israeli shareholders that were former shareholders of Microbot Medical Ltd., pursuant to which the Company would repurchase, at a discount on the fair value of the share at the date of repurchase, up to $500,000 of the Company's common stock held by them, in the aggregate, if and to the extent such shareholders are unable to sell enough of their shares to cover certain of their Israeli tax liabilities resulting from the Merger. Such repurchase(s), if any, would occur only after the two year anniversary of the Merger. The transaction is subject to negotiating final terms and entering into definitive agreements with such shareholders.

The Company evaluated whether an embedded derivative that requires bifurcation exists within such shares that may be subject to repurchase. The Company concluded the fair value of such derivative instrument would be nominal and in any case would represent an asset to the Company as (a) the settlement requires acquiring the shares at a discount on the fair market value of the share at the time of re purchase and in no circumstances the acquisition price will be higher than approximately one dollar per share (representing 25% discount on the fair market value of the share at the merger closing date) and (b)it is assumed that the selling shareholders would use such right as last resort as such repurchase at a discount on the fair market value of such shares results in a loss to be incurred by the selling shareholders.

In accordance with ASC 480-10-S99-3A (formerly EITF D-98), the Company classified the maximum amount it may be required to pay in the event the repurchase right is exercised ($500,000) as temporary equity.

NOTE 11 - BASIC AND DILUTED NET LOSS PER SHARE

The basic and diluted net loss per share and weighted average number of common shares used in the calculation of basic and diluted net loss per share are as follows (in thousands, except share and per share data):

NOTE 11 BASIC AND DILUTED NET LOSS PER SHARE (Cont.)

	Year Ended December 31,	
	2016	2015
Net loss attributable to shareholders of the company	$ 9,663	$ 921
Net loss attributable to shareholders of preferred shares	(3,954)	(360)
Net loss used in the calculation of basic net loss per share	$ 5,709	$ 561
Net loss per share	$ 0.40	$ 0.04
Weighted average number of common shares	14,293,296	13,182,660

As the inclusion of common share equivalents in the calculation would be anti-dilutive for all periods presented, diluted net loss per share is the same as basic net loss per share.

The weighted average number of common shares outstanding has been retroactively restated for the equivalent number of common shares received by the accounting acquirer as a result of the reverse recapitalization and reverse stock split as if these common shares had been outstanding as of the beginning of the earliest period presented.

NOTE 12 RESEARCH AND DEVELOPMENT EXPENSES, NET

	Year ended December 31,	
	2016	2015
	(in thousands)	
Payroll and related expenses	$ 491	$ 464
Materials	155	11
Patents	75	37
Office and maintenance	21	11
Rent	36	29
Professional services	253	365
Depreciation	7	7
Other	76	100
Less grants received from Israeli Innovation Authority	(213)	(201)
	$ 901	$ 823

NOTE 13 GENERAL AND ADMINISTRATIVE EXPENSES

	Years ended December 31,	
	2016	2015
	(in thousands)	
Payroll and related expenses	$ 45	$ -
Professional services	528	40
Common shares issued for services	7,258	-
Travel	180	15
Depreciation	-	11
Other	47	26
Share-based compensation	676	-
	$ 8,734	$ 92

NOTE 14 - FINANCE EXPENSES, NET

	Years ended December 31,	
	2016	2015
	(in thousands)	
Bank fees and interest	$ 1	$ 1
Change in fair value of derivative warrant liability	(262)	-
Exchange rate differences	(44)	(1)
Revaluation and interest on convertible loans	333	6
	$ 28	$ 6

NOTE 15 - TRANSACTIONS AND BALANCES WITH INTERESTED AND RELATED PARTIES

A. Transactions:

	Year ended December 31,	
	2016	2015
	(in thousands)	
Payroll and related expenses	$ -	$ -
Directors fees and insurance	-	-
Subcontracted work and consulting	253	122
	$ 253	$ 122

B. Balances:

	As of December 31,	
	2016	2015
Other accounts payable	$ -	$ 9
	-	9

NOTE 16 - TAXES ON INCOME

The Company is subject to income taxes under the Israeli and U.S. tax laws:

Corporate tax rates

The Company is subject to Israeli corporate tax rate of 26.5% in the years 2015 and 2014, 25% in the year 2016, 24% in 2017 and 23% from 2018.

The Company is subject to a blended U.S. tax rate (Federal as well as state corporate tax) of 35%.

NOTE 16 - TAXES ON INCOME (Cont.)

A. As of December 31, 2016, the Company generated net operating losses in Israel of approximately $5,556, which may be carried forward and offset against taxable income in the future for an indefinite period.

As of December 31, 2016, the Company generated net operating losses in the U.S. of approximately $475,496. Net operating losses in the United States are available through 2035. Utilization of U.S. net operating losses 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 limitation may result in the expiration of net operating losses before utilization.

B. The Company is still in its development stage and has not yet generated revenues, therefore, it is more likely than not that sufficient taxable income will not be available for the tax losses to be utilized in the future. Therefore, a valuation allowance was recorded to reduce the deferred tax assets to its recoverable amounts.

	As of December 31,	
	2016	2015
	(in thousands)	
Net loss carry-forward	$ 481,052	$ 471,980
Total deferred tax assets	481,052	471,980
Valuation allowance	(481,052)	(471,980)
Net deferred tax assets	$ -	$ -

NOTE 17 - SUBSEQUENT EVENTS

Purchase Agreement

On January 5, 2017, the Company entered into a definitive securities purchase agreement with an institutional investor (the "Purchaser") for the purchase and sale of an aggregate of 700,000 shares of the Company's common stock in a registered direct offering for $5.00 per share or gross proceeds of $3.5 million. The Company paid the placement agent a fee of $210,000 plus reimbursement of out-of-pocket expenses, as well as other offering-related expenses.

Contract Research Agreement

On January 27, 2017, the Company entered into a Contract Research Agreement (the "Research Agreement") with The Washington University ("Washington U."), pursuant to which the parties will collaborate to determine the effectiveness of the Company's self-cleaning shunt.

The initial research to be performed by Washington U. is expected to be completed within 6 months, with a comprehensive study to follow and be completed in 2018.

The cost of the initial study, to be paid by the Company, is expected to be approximately $130,000, with the cost of any further studies to be determined. Pursuant to the Research Agreement, all rights, title and interest in the data, information and results obtained or arrived at by Washington U. in the performance of its services under the Research Agreement, as well as any patentable inventions obtained or arrived at in the performance of such services, will be jointly owned by the Company and Washington U., and each will have full right to practice and grant licenses in joint inventions. Additionally, Washington U. granted to the Company: (a) a non-exclusive, worldwide, royalty-free, fully paid-up, perpetual and irrevocable license to use and practice patentable inventions (other than joint inventions and improvements to Washington U.'s animal models) obtained or arrived at by Washington U. in the provision of its services under the Research Agreement ("University Inventions") with respect to the self-cleaning shunt; and (b) an exclusive option to obtain an exclusive worldwide license in University Inventions, on terms to be negotiated between the parties.

EXECUTION COPY

ASSET PURCHASE AGREEMENT

DATED AS OF NOVEMBER 11, 2016

BY AND AMONG

STEMCELLS, INC.,

STEM CELL SCIENCES HOLDINGS LIMITED,

STEMCELLS CALIFORNIA, INC.,

AND

BOCO SILICON VALLEY, INC.

List of Exhibits and Schedules
EXHIBITS

SCHEDULES

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (this "Agreement"), dated as of November 11, 2016 (the "Execution Date"), is among STEMCELLS, INC., a Delaware corporation ("STEMCELLS Parent"), STEM CELL SCIENCES HOLDINGS LIMITED, a private limited company registered in Scotland that is a wholly-owned subsidiary of STEMCELLS Parent ("STEMCELLS Holdings"), STEMCELLS CALIFORNIA, INC., a California corporation that is a wholly-owned subsidiary of Holdings ("STEMCELLS Subsidiary"), and BOCO Silicon Valley, Inc., a California corporation ("BOCO US"). STEMCELLS Parent, STEMCELLS Holdings and STEMCELLS Subsidiary are referred to herein collectively as the "Sellers" and each is individually referred to as a "Seller." The Sellers, on the one hand, and BOCO US, on the other hand, are referred to herein collectively as the "Parties" or "parties" hereto; and each is individually referred to as a "Party" or "party" hereto.

WHEREAS, the Boards of Directors of the Sellers and the Board of Directors of BOCO US have approved the acquisition of the Purchased Assets by BOCO US on the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, BOCO US desires to purchase from the Sellers, and the Sellers desires to sell to BOCO US, the Purchased Assets, upon the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement, and intending to be legally bound hereby, the Sellers, BOCO US hereby agree as follows:

ARTICLE I
PURCHASE PRICE AND CLOSING

Section 1.1. Sale and Purchase of the Purchased Assets. Subject to the terms and conditions set forth in this Agreement, at the time set forth in Section 1.7, the Sellers shall sell, transfer and assign (or cause to be sold, transferred, assigned and delivered) to BOCO US, and BOCO US shall purchase and acquire, free and clear of any Liens, all right, title and interest in and to the Purchased Assets. Delivery of the Purchased Assets shall be made in accordance with Section 1.2. For purposes of this Agreement, the "Purchased Assets" shall mean all of the Sellers' rights, titles to, or interests as of the Closing in the following assets:

(a) the Key Products, including all formulations thereof and all proprietary rights of the Sellers embodied in or associated with the Key Products which is not otherwise set forth in this Section 1.1;

(b) all Intellectual Property Rights embodied or disclosed in or otherwise related to the Key Products, or the research, production, manufacture, or development of any Key Product, including the Intellectual Property Rights described in Section 2.11(c) of the Sellers Disclosure Schedule (the "Key Products IP Rights"), together with all of the Sellers' rights to sue and obtain damages and equitable relief for past, present and future infringement, misappropriation or violation of any of the foregoing;

(c) all written disclosures of all inventions made by all of the Sellers' present or former officers, directors, employees, consultants or other third parties who developed or co-developed any Key Products or any Intellectual Property Rights embodied or disclosed therein (the "Identified Employees") and the right to enforce any and all written assignments by each Identified Employee of any and all such inventions, work product, results and deliverables that relate solely to the Key Products;

(d) all rights to the use of the names (i) "StemCells, Inc.," (ii) "HuCNS-SC," and (iii) "hLEC," and any service marks, trademarks, trade names, d/b/a names, fictitious names, identifying symbols, logos, emblems, signs or insignia containing or comprising the foregoing (the "Seller Marks"), and any name or mark confusingly similar thereto;

(e) all rights to the website: http://www.stemcellsinc.com/, including the domain name and all other intellectual property rights or proprietary rights included therein (the "Seller Website");

(f) all notebooks, records and other media embodying the Key Products;

(g) all filings and supporting documents and other correspondence submitted to and received from any Regulatory Authority relating to the Key Products, and all data contained therein or incorporated therein by reference, including any Investigational New Drug application (IND), Clinical Trial Application (CTA), investigator's brochures, pharmacology/toxicology data and reports, correspondence to and from a Regulatory Authority, written summaries of any oral discussions with a Regulatory Authority, including minutes from teleconferences and meetings with a Regulatory Authority, registrations and licenses, adverse event files, complaint files and manufacturing and testing records, all qualification and validation documents, and all documentation pertaining to any Regulatory Authority inspections (the "Purchased Assets Regulatory Documentation");

(h) all data, information, publications, studies and other materials of the Sellers embodying or relating to (i) the clinical and non-clinical (including *in vitro* and animal) testing of the Key Products performed by or on behalf of the Sellers, and (ii) clinical field experience with the Key Products that is necessary or useful for making regulatory filings for, or marketing of, the Key Products;

(i) all authorizations, registrations, filings, permits, licenses, franchises, orders, approvals, concessions, consents and other regulatory approvals issued by any Regulatory Authority to the Sellers which are required (i) for clinical testing of any Key Products, or (ii) for the handling, possession, importation, marketing, promotion, pricing or sale of any Key Products and all applications for any of the aforementioned items;

(j) all environmental, health and safety records and permits issued to the Sellers for the Key Products;

(k) all manufacturing product records relating to any Key Products, including all of the reports, files, data and other documents and information produced by or for the Sellers in connection with the manufacture of any Key Products;

(l) all inventory of finished Key Products and all materials, samples, assays, reagents, chemicals generated or used by the Sellers (or Persons working on their behalf) in the research, development, manufacture or use of any Key Product, including the inventory set forth in Section 1.1(l) of the Sellers Disclosure Schedule (collectively, the "Purchased Cell Banks");

(m) all rights, benefits and interests under the Edinburgh License Agreement, as amended;

(n) all rights, benefits and interests under any Key Products IP Contracts, as amended, which may be assigned to BOCO US or to one of its Affiliates; and

(o) all claims, causes of action, defenses and rights of offset or counterclaim (at any time or in any matter existing or arising, whether choate or inchoate, known or unknown, contingent or noncontingent), with respect to any Key Products, Key Products IP Contracts or Key Products IP Rights, including (i) claims under warranties or guarantees or indemnities, to the extent related to the Purchased Assets or the Assumed Liabilities, and (ii) claims against any of the Identified Employees for any misuse of the Confidential Information included in the Purchased Assets.

To the extent any of the Purchased Assets consist of records, files, notebooks or other information, and such information is included in media that also contains information relating to any of the Excluded Assets, then the Purchased Assets shall include the original of such media, and the Sellers shall be entitled to retain a copy of the information relating to the Excluded Assets, or to receive a copy from BOCO US if all of the copies are delivered to BOCO US, in each case subject to compliance with Section 5.2, Section 5.3 and Section 5.7.

Section 1.2. Delivery of the Purchased Assets.

(a) At the Closing, the Sellers shall deliver or make available the Purchased Assets, other than the Seller Website, within the Sellers' possession and control, to BOCO US through (i) delivery of two WD My Book Duo 12TB hard drives (P/N WDBLWE0120JCH) (the "Hard Drives"), (ii) access to the boxes of documents identified on Section 1.2(a) of the Sellers Disclosure Schedule (the "Identified Boxes") being stored pursuant to an agreement by and between STEMCELLS Parent and DataSafe (the "DataSafe Agreement"), (iii) access to the Sellers' SharePoint drive hosted by Microsoft Corporation (which shall remain fully active and accessible by BOCO US until the later of: (x) 90 days after Closing and (2) 180 days after Execution Date, at the sole expense of STREMCELLS Parent) and (iv) access to the Purchased Cell Banks which are in the custody of the laboratories identified on Section 1.2 of the Sellers Disclosure Schedule, which shall remain in the custody of the laboratories identified on Section 1.2 of the Sellers Disclosure Schedule pursuant to the terms of the Sellers' existing agreements with Miltenyi Biotech and Fisher Bioservices or a newly executed agreement with BOCO US, as applicable. Within 90 days following the Closing Date, the Sellers shall transfer all of their rights, title and interest in the Seller Website to BOCO US.

(b) The Sellers undertake that, for the period of 90 days immediately following the Closing Date, upon BOCO US's reasonable request, the Sellers will use commercially reasonable efforts to provide to BOCO US, and to procure that the employees and agents of and professional advisers to the Sellers will provide to BOCO US, whatever information and assistance is reasonably necessary to effectuate the transfer of record or legal ownership of the Purchased Assets to BOCO US. The Sellers shall pay any costs and expenses reasonably incurred by the Sellers and their respective employees, agents and/or professional advisers in the provision of this information and assistance (excluding, for the avoidance of doubt, any costs or expenses incurred in the provision of services, including mailing, shipment and cell storage, provided by third parties).

Section 1.3. Excluded Assets. Other than the Purchased Assets, none of the Sellers shall sell, transfer, assign or deliver to BOCO US any of their rights, titles to or interests in any of their other assets (the "Excluded Assets"), which are not part of the sale and purchase contemplated hereunder, are excluded from the Purchased Assets, and shall remain the property of the Sellers after the Closing. The following assets of the Sellers are examples of Excluded Assets:

(a) all cash, cash equivalents and short term investments;

(b) all personnel records and other records that the Sellers are required by applicable Laws to retain in their possession;

(c) all financial records;

(d) all corporate records;

(e) all third-party contracts other than any Key Products IP Contracts and the Edinburgh License Agreements;

(f) all legal records;

(g) all claims for refund of Taxes;

(h) any employees; and

(i) all rights of the Sellers under this Agreement or any other agreement, instrument, certificate or document required to be delivered to the Sellers at the Closing.

Section 1.4. Assumption of Liabilities. Effective as of the Closing, the Sellers shall not have any liability or obligation with respect to, and BOCO US shall assume and thereafter pay, perform and discharge when due, without recourse to the Sellers, only the Liabilities that become due payable with respect to the Purchased Assets solely as a result of actions or omissions of BOCO US or its Affiliates after the Closing (collectively, the " Assumed Liabilities"). BOCO US shall take, and cause its Affiliates to take, all reasonable steps to mitigate any Assumed Liabilities upon and after becoming aware of any event that that could reasonably be expected to give rise to such Assumed Liabilities. For the avoidance of doubt, Assumed Liabilities shall not include any Liabilities of any kind existing prior to the Closing Date, or which become Liabilities after the Closing, solely to the extent resulting from actions taken by any of the Sellers prior to the Closing, including any Liabilities relating to any course of conduct, breach, violation or other action of any of the Sellers which occurred prior to the Closing, provided that such action was not required by this Agreement or taken at the request or direction of BOCO US.

Section 1.5. Retained Liabilities.

(a) Notwithstanding anything to the contrary contained in this Agreement, other than the Assumed Liabilities, BOCO US and its Affiliates shall not have any liability or obligation with respect to, shall not assume or agree to pay, perform or discharge, and shall not be deemed by virtue of the execution and delivery of this Agreement or any document delivered at the Closing pursuant to this Agreement, or as a result of the consummation of the Transactions, to have assumed, or to have agreed to pay, perform or discharge, any liability or obligation of the Sellers, whether primary or secondary, direct or indirect, known or unknown, asserted or unasserted, due or to become due, accrued, absolute, contingent or otherwise, and whether arising prior to the Closing Date (such Liabilities not assumed by BOCO US and its Affiliates, are collectively referred to as the "Retained Liabilities"). The "Retained Liabilities" shall include, to the extent that they are not Assumed Liabilities, the following:

(i) all Liabilities of the Sellers, or any member of any consolidated, affiliated, combined or unitary group of which Seller or any of its Subsidiaries is or has been a member, for Taxes (including any Liability for Taxes relating to any of the Purchased Assets, or the ownership, control, lease or license of any of the Purchased Assets);

(ii) all Liabilities of the Sellers arising pursuant to this Agreement;

(iii) all Liabilities and obligations of the Sellers arising under the Sellers' employee benefit plans or relating to payroll, vacation, sick leave, workers' compensation and unemployment benefits of any kind;

(iv) all Liabilities of the Sellers in connection with any claims, actions, suits, audits, inquiries, proceedings by any Governmental Authority or third party (including any stockholders of the Sellers, whether brought directly, derivatively or otherwise, but not including any Liabilities arising solely from the ownership, control, license or use of the Purchased Assets by or on behalf of BOCO US or any of its Affiliates following the Closing), including any claims, actions, suits, audits, inquiries, proceedings arising as a result of or relating to the entry into the Agreement or the consummation of the Transactions;

(v) all Liabilities of the Sellers relating to, arising out of or incurred in connection with any of the Excluded Assets;

(vi) all Liabilities of the Sellers arising under any environmental Law;

(vii) all Liabilities of the Sellers arising as a result of violations of any Laws by Sellers;

(viii) all Liabilities of the Sellers for Indebtedness;

(ix) all Liabilities arising out of or resulting from any breach by the Sellers under any Key Products IP Contracts prior to the date on which any such Key Products IP Contract is transferred by the Sellers to BOCO US in accordance with the terms of this Agreement; and

(x) all Liabilities arising out of or related to any broker's, finder's, advisory or other similar fee or commission, or the reimbursement of expenses, in connection with the Transactions based upon arrangements made by or on behalf of the Sellers.

(b) The Sellers shall pay, discharge and perform all of the Retained Liabilities when due.

Section 1.6. Purchase Price.

(a) On the terms and subject to the conditions set forth in this Agreement, as consideration for the sale, transfer, assignment and delivery of the Purchased Assets to BOCO US, BOCO US shall purchase and acquire all rights, titles and interests in and to the Purchased Assets for an aggregate purchase price equal to USD4,000,000 if the Closing occurs on or before December 1, 2016 and an aggregate purchase price equal to USD3,900,000 if the Closing occurs after December 1, 2016 (the "Purchase Price"). The Parties hereby acknowledge and agree that USD300,000 of the Purchase Price (the "Letter Agreement Deposit Amount") was paid prior to the Execution Date by Bright Oceans Corporation (HK) Limited, on behalf of BOCO US, to the Sellers pursuant to that certain letter agreement attached as **Exhibit G** to this Agreement, which USD300,000 shall be treated in all respects as if such amount had been funded by BOCO US as a portion of the Purchase Price.

(b) On the date hereof, BOCO US, STEMCELLS Parent and Continental Stock Transfer & Trust Company, a New York corporation (the "Escrow Agent"), are executing and delivering an Escrow Agreement in the form attached hereto as **Exhibit A** (the "Escrow Agreement").

(c) On November 14, 2016, BOCO US will fund USD3,700,000 (the "Escrow Deposit") to the Escrow Agent in cash by wire transfer of immediately available funds to the account designated in writing by the Escrow Agent pursuant to the Escrow Agreement (the "Escrow Account").

(d) Of the Purchase Price, the amount of USD100,000 shall be in consideration for the assignment of the Edinburgh License Agreement to BOCO US. 12.82% of the remaining Purchase Price shall be in consideration for the assignment of patents and patent applications included within the Purchased Assets, other than the patents and patent applications licensed under the Edinburgh License Agreement, to BOCO US. 25.64% of the remaining Purchase Price shall be in consideration for the assignment of the Trade Secrets included within the Purchased Assets to BOCO US. 61.28% of the remaining Purchase Price shall be in consideration for the sale and transfer of Purchased Cell Banks to BOCO US. 0.26% of the remaining Purchase Price shall be in consideration for the transfer of books and records included within the Purchased Assets, including Purchased Assets Regulatory Documentation, to BOCO US.

Section 1.7. Closing.

(a) The closing (the "Closing") of the purchase and sale of the Purchased Assets shall take place at 10:00 a.m. (Los Angeles time) on the date that is three Business Days after the day on which all of the conditions to closing set forth in ARTICLE VI are satisfied or waived (other than conditions that are intended to be satisfied at the Closing), or at such other date, time or place as the Parties may agree (the "Closing Date").

(b) At the Closing, the Sellers and BOCO US shall execute and deliver the following documents:

(i) a duly authorized UCC-3 in the form attached hereto as **Exhibit B** from Alpha Capital Anstalt evidencing the release of its lien on the Purchased Assets, effective as of the Closing;

(ii) a duly executed bill of sale in the form attached hereto as **Exhibit C** for all other Purchased Assets;

(iii) duly executed assignments in the forms attached hereto as **Exhibit D-1, Exhibit D-2 and Exhibit D-3**;

(iv) a duly executed assignment and assumption agreement in sale in the form attached hereto as **Exhibit E**, effecting the assignment to and assumption by BOCO US of the Purchased Assets and the Assumed Liabilities; and

(v) a receipt for an amount equal to the Purchase Price minus the Letter Agreement Deposit Amount minus the Holdback Amount (as defined in Section 8.3(a)) (such amount, the "Closing Purchase Price," which, for the avoidance of doubt, shall equal USD3,300,000, if the Closing occurs on or before December 1, 2016, and USD3,200,000, if the Closing occurs after December 1, 2016) in the form attached hereto as **Exhibit F**.

(c) At least three Business Days prior to the Closing (after all of the conditions to the Closing set forth in ARTICLE VI are satisfied or waived (other than conditions that are intended to be satisfied at the Closing)) in accordance with ARTICLE VI, BOCO US and STEMCELLS Parent shall sign and deliver joint written instructions to the Escrow Agent substantially in the form attached as Schedule 2 to the Escrow Agreement notifying the Escrow Agent of the Closing Date and directing the Escrow Agent to release funds in accordance with the provisions of Section 1.7(d).

(d) At the Closing, except as provided by Section 1.7(e), the Escrow Agent shall release from the Escrow Account in accordance with the terms of the Escrow Agreement (i) to STEMCELLS Parent, an amount equal to 85% of the Closing Purchase Price from the Escrow Account and (ii) to the individuals whose consulting agreements are described in Section 2.14 of the Sellers Disclosure Schedule (the "Consultants"), an aggregate amount equal to 15% of the Closing Purchase Price, in accordance with the terms of such consulting agreements. USD400,000 of the Purchase Price will remain in the Escrow Account pursuant to the terms of Section 8.4.

(e) If the Closing has not occurred by December 1, 2016, then USD100,000 of the Escrow Deposit will be returned by the Escrow Agent to BOCO US. At the Closing, the remainder of the Escrow Deposit will be divided 85%/15%, as provided in Section 1.7(d), with USD400,000 remaining as the holdback pursuant to the terms of Section 8.4.

(f) The Closing shall take place at the offices of Dentons US, LLP, 1530 Page Mill Road, Suite 200, Palo Alto, CA 94304-1125, USA.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF THE SELLER

Except as set forth in the disclosure schedule delivered by the Sellers to BOCO US (the "Sellers Disclosure Schedule") prior to the execution of this Agreement, the Sellers represent and warrant to BOCO US that as of the Closing Date:

Section 2.1. Organization, Standing and Corporate Power. Each of the Sellers is duly organized, validly existing and in good corporate standing (or equivalent status) under the Laws of the state of its incorporation or organization and has all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as it is now being conducted. Each of the Sellers is duly licensed or qualified to do business and is in good standing (or equivalent status) as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned, leased or operated by it requires such license or qualification.

Section 2.2. Purchased Assets.

(a) The Sellers have good, valid and marketable title to all of the Purchased Assets free and clear of any Liens. Except as set forth in Section 2.2(a) of the Sellers Disclosure Schedule the Purchased Assets include all of the assets, rights and properties (including Intellectual Property Rights) of the Sellers that are currently held for use by the Sellers for the manufacture, study, commercialization or development of the Key Products.

(b) Except as set forth in Section 2.2(b) of the Sellers Disclosure Schedule, all of the Purchased Cell Banks has been maintained in accordance with normal industry practice and in accordance with all applicable Laws.

(c) Except as set forth in Section 2.2(c) of the Sellers Disclosure Schedule, to the Knowledge of the Sellers, the Hard Drives and/or the Identified Boxes contain accurate copies of the Purchased Assets that have previously been reduced to a tangible format (written, electronic or otherwise) still within the Sellers' possession or control.

Section 2.3. Authority; Noncontravention; Voting Requirements.

(a) The Sellers have all requisite corporate power and authority to execute and deliver this Agreement and to perform their obligations hereunder and to consummate the Transactions. The execution, delivery and performance by the Sellers of this Agreement and the consummation by them of the Transactions, have been duly and validly authorized by all necessary corporate action on the part of the Sellers and no other corporate action on the part of the Sellers is necessary to authorize the execution, delivery and performance by the Sellers of this Agreement or the consummation by them of the Transactions. This Agreement has been duly and validly executed and delivered by the Sellers and, assuming due authorization, execution and delivery by the other parties hereto, constitutes legal, valid and binding obligations of the Sellers, enforceable against the Sellers in accordance with its terms, except that such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar Laws affecting creditors' rights generally and by general principles of equity (the "Bankruptcy and Equity Exception").

(b) The STEMCELLS Parent Board of Directors, at a meeting duly called and held at which all of the members of the STEMCELLS Parent Board of Directors were present in person or by telephone in compliance with the applicable provisions of the Delaware General Corporation Law (the "DGCL"), has duly and unanimously adopted resolutions (i) adopting and approving this Agreement and approving the Transactions, and (ii) declaring that this Agreement and the Transactions are advisable and in the best interests of the Sellers and its stockholders, and none of the aforesaid actions by the STEMCELLS Parent Board of Directors has been amended, rescinded or modified as of the Closing Date. No further corporate action is required by the STEMCELLS Parent Board of Directors in order for the Sellers to approve this Agreement or the Transactions.

(c) None of the execution and delivery of this Agreement by the Sellers, the consummation by the Sellers of the Transactions or compliance by the Sellers with any of the terms or provisions hereof will (i) conflict with, or result in a violation or breach of, any provision of any certificate of incorporation, certificate of formation, bylaws, operating agreement or comparable organizational document (each an "Organizational Document") of the Sellers, (ii) violate any Laws applicable to the Purchased Assets, (iii) conflict with, or result in any violation or breach of, or constitute (with or without notice or lapse of time, or both) a default (or give rise to a right of termination, cancellation or acceleration of any obligations or loss of any material benefit) under, require a consent or waiver under, require the payment of a penalty under, any terms, conditions or provisions of any loan or credit agreement, debenture, note, bond, mortgage, indenture, deed of trust or Contract to which the Sellers is a party or by which any of the Purchased Assets may be bound, or (iv) result in the creation or imposition of any Lien on any Purchased Asset.

(d) The DGCL does not require that this Agreement or the Transactions be approved by holders of any class or series of capital stock of the STEMCELLS Parent.

Section 2.4. Governmental Approvals and Consents. Except for filings required under, and compliance with other applicable requirements of, the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Securities Act of 1933, as amended (the "Securities Act"), the rules and regulations promulgated under the Exchange Act and the Securities Act, the rules and regulations of the Nasdaq Stock Market ("Nasdaq"), no consents or approvals of, or filings, declarations or registrations with, any Governmental Authority are necessary (a) for the execution and delivery of this Agreement by the Sellers or the consummation by the Sellers of the Transactions, (b) to avoid the breach of the Key Products IP Contracts or the creation of a Lien on any of the Purchased Assets, or (c) to enable BOCO US to own the Purchased Assets following the Closing Date, except in each case as would not reasonably be expected to have, individually or in the aggregate, a Seller Material Adverse Effect.

Section 2.5. Seller SEC Documents; Undisclosed Liabilities.

(a) Since December 31, 2015, the Sellers have timely filed or furnished, as applicable, all reports, forms, schedules, statements, prospectuses, registration statements and other document required to be filed or furnished by the Sellers under the Securities Act or the Exchange Act, as the case may be (such documents, collectively, and in each case including all exhibits and schedules thereto and documents incorporated by reference therein, the "Seller SEC Documents"). Each Seller SEC Document, as of its filing date or, if amended or supplemented prior to the date of this Agreement, as of the date of its last such amendment or supplement, complied as to form, and each such Seller SEC Document filed subsequent to the date hereof will comply as to form, in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations promulgated thereunder, applicable to such Seller SEC Documents. Each Seller SEC Document, as of its filing date or, if amended or supplemented prior to the date of this Agreement, as of the date of its last such amendment or supplement, did not, and each such Seller SEC Document filed subsequent to the date hereof will not, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(b) None of the Sellers has any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) other than liabilities or obligations that (i) have been discharged or paid in full prior to the date of this Agreement in the ordinary course of business, or (ii) are accrued or reserved against in the most recent financial statements included in the Sellers SEC Documents filed prior to the date hereof or are reflected in the notes thereto.

Section 2.6. Legal Proceedings. To the extent relating to the Purchased Assets, (a) there is no legal or administrative proceeding, claim, suit or action pending or, to the Knowledge of the Sellers, threatened, against or affecting, the Sellers, any of their respective assets or rights, any of the Identified Employees in their respective capacities as such before (or, in the case of threatened actions, suits, investigations or proceedings, would be before) any arbitrator or Governmental Authority, nor (b) is there any injunction, order, judgment, ruling or decree (" Order") of any arbitrator or Governmental Authority imposed upon or outstanding against the Sellers, or any of their respective assets or rights, or, to the Knowledge of the Sellers, investigation by any Governmental Authority involving the Sellers.

Section 2.7. Compliance With Laws; Permits. Each of the Sellers has been and is currently in compliance in all material respects with all laws, injunctions, judgments, decrees, rulings, statutes, ordinances, codes, rules, regulations, decrees and orders of Governmental Authorities, including the Occupational Safety and Health Act of 1970 (29 U.S.C. § 651 et seq.) and rules and regulations of the U.S. Securities Exchange Commission and Nasdaq (collectively, "Laws") applicable to the Purchased Assets or the Identified Employees, including Laws relating to occupational safety and health, manufacturing practice, labeling, handling and use of compounds and products and employee exposure monitoring and control. None of the Sellers has received any written notice or other written communication alleging or relating to a possible violation by the Sellers of any Laws applicable to the Purchased Assets.

Section 2.8. Taxes. There are no federal, state, county, local or foreign taxes due and payable by the Sellers which have not been timely paid, which is reasonably likely to result in the creation of any Lien upon any of the Purchased Assets. There are no accrued and unpaid federal, state, country, local or foreign taxes of the Sellers which are due, whether or not assessed or disputed, which is reasonably likely to result in the creation of any Lien upon any of the Purchased Assets.

Section 2.9. Personnel Matters. There are no claims or legal proceedings pending or, to the Knowledge of the Sellers, threatened, by or between the Sellers and any of the Identified Employees which: (i) questions the validity of any assignment by any of the Identified Employees of any Key Products IP Rights, (ii) demands payment for any assignment by any of the Identified Employees of any Key Products IP Rights or (iii) which is reasonably likely to result in the creation of any Lien upon any of the Purchased Assets.

Section 2.10. Key Products IP Contracts. The Sellers have heretofore made available to BOCO US true, correct and complete copies of the Key Products IP Contracts. Except as set forth in Section 2.10 of the Sellers Disclosure Schedule: (a) each of the Key Products IP Contract constitutes the valid and legally binding obligation of the Sellers, enforceable in accordance with its terms (subject to the Bankruptcy and Equity Exception) and (b) to the Knowledge of Sellers, is in full force and effect. The Sellers are not (and with the giving of notice or lapse of time would not be) in material breach of, or default under, any Key Products IP Contract and, to the Knowledge of the Sellers, no other party thereto is in material breach of, or default under, in any respect, any Key Products IP Contracts. To Sellers' Knowledge, there exist no Contracts which could reasonably be expected to impose material obligations on or bind BOCO US or any of its Affiliates in any material way upon or following consummation of the Transactions.

Section 2.11. Intellectual Property.

(a) The Sellers exclusively own, have a valid license or otherwise have the valid right to use or access, all Key Products IP Rights free and clear of all Liens.

(b) Except as set forth in Section 2.11(b) of the Sellers Disclosure Schedule, to the Knowledge of the Sellers, all of the Trade Secrets included in the Key Product IP Rights that have been reduced to a tangible form by the Sellers are, if still within Seller's possession and control, included in either the Hard Drives or the Identified Boxes.

(c) Section 2.11(c) of the Sellers Disclosure Schedule sets forth a true, correct and complete list of (i) each patent, patent application, trademark registration, trademark application, copyright registration and domain name registration in which the Sellers have or purports to have an ownership interest of any nature relating to the Key Products (whether exclusively, jointly with another Person, or otherwise) (collectively, "Key Products Registered IP"), (ii) the jurisdiction in which such item of the Key Products Registered IP has been registered or filed and the applicable registration or serial number, (iii) any other Person that has an ownership interest in such item of the Key Products Registered IP and the nature of such ownership interest. Except as set forth in Section 2.11(c) of the Sellers Disclosure Schedule, each of the material Key Products Registered IP is subsisting, and, to the Sellers' Knowledge, valid and enforceable, and has not been adjudged invalid or unenforceable in whole or part. Except as set forth in Section 2.11(c) of the Sellers Disclosure Schedule, no Key Products IP Right is subject to any outstanding decree, order, injunction, judgment or ruling restricting the use of such Intellectual Property Right or that is reasonably likely to impair the validity or enforceability of such Intellectual Property Right. Except as set forth in Section 2.11(c) of the Sellers Disclosure Schedule, to the Knowledge of the Sellers, no Person has asserted by way of declaratory action, invalidation action, nullity action, revocation action, opposition, reexamination or similar action that the Key Products IP Rights are invalid and/or unenforceable, except in connection with any legal proceeding that has been disclosed to BOCO US and which legal proceeding is no longer pending.

(d) Except as set forth in Section 2.11(d) of the Sellers Disclosure Schedule, there are no pending or, to the Knowledge of the Sellers, threatened claims (i) that, with respect to the Purchased Assets, the Sellers have infringed, misappropriated or otherwise violated, or is infringing, misappropriating or otherwise violating (including with respect to the manufacture, use, distribution, marketing, or sale by the Sellers of any Key Products), any Intellectual Property Rights of any Person, (ii) based upon or challenging or seeking to deny or restrict the use by or ownership of the Sellers of any of the Key Products IP Rights, or (iii) alleging that any Key Products IP Right is being licensed or sublicensed in conflict with the terms of any license or other Contract. No Person has asserted by way of allegation, "cease and desist" demands, unsolicited offers of license or otherwise or, to the Sellers' Knowledge, has the right to assert any claim regarding the use of, or challenging or questioning the Sellers' right or title in, any of the Key Products IP Rights.

(e) To the Knowledge of the Sellers, no Person or Persons is or are infringing, misappropriating or otherwise violating any Key Products IP Rights.

(f) The Sellers have taken reasonable security measures, including measures against unauthorized disclosure, to protect the secrecy, confidentiality, and value of its Trade Secrets and other Confidential Information related to the Key Products. With respect to the Key Products, to Sellers' Knowledge, none of the Identified Employees (i) is obligated (or was obligated at any time while employed by the Sellers) under any Contract to assign any invention made, conceived, or reduced to practice during the period of such Identified Employee's employment by the Sellers to any Person other than the Sellers, (ii) has assigned to any Person other than the Sellers any inventions made, conceived, or reduced to practice during the period of such Identified Employee's employment by the Seller or (iii) has retained any tangible form of the Trade Secrets or other Confidential Information related to the Key Products. To the Knowledge of the Sellers, neither the execution nor delivery of this Agreement will conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any Contract, covenant or instrument under which any of its Identified Employees are now obligated. The Sellers do not believe that they are utilizing, or that it will be necessary to utilize, in connection with the Key Products, any inventions of any of the Identified Employees made prior to their employment by the Sellers that have not been licensed to or acquired by the Sellers.

(g) Except as set forth in Section 2.11(g) of the Sellers Disclosure Schedule, the execution and delivery of this Agreement by the Sellers do not, and the consummation by the Sellers of the Transactions and compliance by the Sellers with the provisions of this Agreement will not, (i) alter, impair, diminish or result in the loss of any rights or interests of the Sellers in respect of any material Key Products IP Rights or under any Key Products IP Contract, (ii) grant or require the Sellers or BOCO US or its Affiliates to grant to any Person any rights in respect of any material Key Products IP Rights, or (iii) subject the Sellers or BOCO US or its Affiliates to any increase in or acceleration of royalties or other payments in respect of any Key Products IP Rights or under any Key Products IP Contract.

Section 2.12. Regulatory Matters. With respect to the Key Products:

(a) To the extent relating to the Purchased Assets, the Sellers are in compliance in all material respects with all applicable statutes, rules and regulations of the FDA, and, to the extent applicable, other Regulatory Authorities, with respect to the clinical testing, manufacture, labeling, storing, testing, or distribution of their compounds and products, including current "Good Manufacturing Practice," or cGMP regulations, "Good Clinical Practice" or GCP regulations to the extent the clinical data from any of their clinical studies is used to support regulatory approval of the Sellers' products, "Good Laboratory Practice" (as such terms are defined in applicable Laws) or GLP regulations to the extent the non-clinical data from Seller non-clinical studies is used to support regulatory approval of any products of the Sellers.

(b) To the extent relating to the Purchased Assets, the Sellers are in compliance in all material respects with all applicable registration and listing requirements set forth at 21 U.S.C. § 360 and all similar applicable laws and regulations.

(c) None of the Sellers, nor, to the Knowledge of the Sellers, any Person who is providing or has provided services to the Sellers (including Third Party Suppliers), is in receipt of notice of, or is subject to, any adverse inspection, finding of non-compliance, compelled or voluntary recall, investigation, penalty for corrective or remedial action or other compliance or enforcement action, by the FDA or any other applicable Regulatory Authority, relating to the Purchased Assets. There are no pending or, to the Knowledge of the Sellers, threatened actions, proceedings or complaints by the FDA or any other applicable Regulatory Authority against the Sellers, or any Person providing services to the Sellers (including Third Party Suppliers), relating to the Purchased Assets. The Sellers have not received an FDA 483 or similar inspection report or warning letter relating to the Purchased Assets.

(d) Except as set forth in Section 2.12(d) of the Sellers Disclosure Schedule, the Purchased Cell Banks, including, to the Sellers' Knowledge, all key materials, reagents, active pharmaceutical ingredients, compounds and products used in the manufacture of the Purchased Cell Banks supplied by third-party suppliers ("Third Party Suppliers"), have been manufactured, handled, stored and distributed in accordance with applicable Laws, including current "Good Manufacturing Practice," or cGMP regulations, except as has not had, or would not reasonably be expected to have, individually or in the aggregate, a Seller Material Adverse Effect.

(e) None of the Sellers has received any notification from the FDA or any other applicable Regulatory Authority indicating that any of the Key Products are misbranded or adulterated as defined in 21 U.S.C. § 321, et seq., as amended, and the rules and regulations promulgated thereunder.

(f) Neither the Sellers nor, to the Sellers' Knowledge, any of the Identified Employees, has made an untrue statement of a material fact or fraudulent statement to the FDA or any other Regulatory Authority, failed to disclose a material fact required to be disclosed to the FDA or any other Regulatory Authority, or committed an act, made a statement or failed to make a statement, in each case relating to the Purchased Assets, that, at the time such disclosure was made, would reasonably be expected to provide a basis for any investigation by, and, to the Knowledge of the Sellers, no such investigation has been instituted or threatened by, (i) the FDA pursuant to its "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities," set forth in 56 Fed. Reg. 46191 (September 10, 1991), (ii) Department of Health and Human Services Officer of Inspector General or Department of Justice pursuant to the Federal Anti-Kickback Statute (42 U.S.C. § 1320a-7(b)) or the Federal False Claims Act (31 U.S.C. § 3729 et seq.), or (iii) any equivalent statute of any jurisdiction in the European Union.

(g) The Sellers have not used in any capacity the services of any Persons debarred under any jurisdiction's debarment provisions including subsections 306(a) or 306(b) of the Generic Drug Enforcement Act of 1992, disqualified as a testing facility under CFR Part 58, subpart K, or disqualified as a clinical investigator under 21 CFR 312.70, in connection with any of the services relating to the Purchased Assets performed by the Sellers or its contractors. To the Sellers' Knowledge, there are no pending or threatened actions, suits, claims, investigations or legal or administrative proceedings relating to the debarment or disqualification of any Person performing any services relating to the Purchased Assets for the Sellers.

(h) The Sellers have complied in all material respects with all applicable Laws, guidelines and regulations relating to the collection and/or use of the human cell lines, tissue, human clinical isolates or similar human-derived materials and the Sellers have obtained any approvals, consents, and/or authorization required by applicable Laws (including the Health Insurance Portability and Accountability Act and regulations promulgated thereunder) for the collection, use, and/or transfer of such human cell lines, tissue, human clinical isolates or similar human-derived materials. Such human cell lines, tissue, human clinical isolates or similar human-derived materials may be used without any obligations to the individuals or entities who contributed the materials, including any obligations of compensation to such individuals or entities who contributed the materials for any purposes, including any obligations of compensation to such individuals or entities who contributed the materials or any other third party for the intellectual property associated with, or commercial use of, such materials for any purposes, other than payment obligations which do not exceed $50,000 in the aggregate.

Section 2.13. Brokers and Other Advisors. No agent, broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, advisory or other similar fee or commission, or the reimbursement of expenses, in connection with the Transactions based upon arrangements made by or on behalf of the Sellers.

Section 2.14. Related Party Transactions. Except as set forth in Section 2.14 of the Sellers Disclosure Schedule, as of the date hereof, no, director, officer or other Affiliate of the Sellers or any of such Person's Affiliates, or any entity in which any such Person has a direct or indirect material interest, (a) has any right, title, or interest in any Key Products IP Rights, or (b) is party to or bound by any Key Products IP Contract.

Section 2.15. Solvency; Fair Consideration; No Fraudulent Conveyance. Upon the consummation of the Transactions, the Sellers will be Solvent. The Sellers are not entering into this Agreement and consummating the Transactions with the intent to defraud, delay or hinder the Sellers' creditors and the consummation of the Transactions will not have any such effect. The Transactions do not constitute a fraudulent conveyance, or otherwise give rise to any right of any creditor of the Sellers whatsoever to any of the Purchased Assets after the Closing.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF BOCO US

BOCO US represents and warrants to the Sellers that:

Section 3.1. Organization, Standing and Corporate Power. BOCO US is duly organized and validly existing under the Laws of the state of its incorporation and has all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as it is now being conducted.

Section 3.2. Authority; Noncontravention.

(a) BOCO US has all requisite corporate or other power and authority to execute and deliver this Agreement, and to perform its obligations hereunder and to consummate the Transactions. The execution, delivery and performance by BOCO US of this Agreement, and the consummation by BOCO US of the Transactions, have been duly authorized by all necessary corporate or other action on the part of BOCO US, and no other corporate or other action on the part of BOCO US is necessary to authorize the execution, delivery and performance by BOCO US of this Agreement or the consummation by it of the Transactions. This Agreement has been duly executed and delivered by BOCO US and, assuming due authorization, execution and delivery hereof by the Sellers, constitutes a legal, valid and binding obligation of BOCO US, enforceable against BOCO US in accordance with its terms, subject to the Bankruptcy and Equity Exception.

(b) None of the execution and delivery of this Agreement by BOCO US, the consummation by BOCO US of the Transactions or compliance by BOCO US with any of the terms or provisions hereof will (i) conflict with, or result in a violation or breach of, any provision of any Organizational Document of BOCO US, (ii) violate any Laws applicable to BOCO US or its properties or assets or (iii) conflict with, or result in any violation or breach of, or constitute (with or without notice or lapse of time, or both) a default (or give rise to a right of termination, cancellation or acceleration of any obligations or loss of any material benefit) under, require a consent or waiver under, require the payment of a penalty under, any terms, conditions or provisions of any loan or credit agreement, debenture, note, bond, mortgage, indenture, deed of trust or Contract to which BOCO US is a party and by which any of its properties or assets are subject, except, in each case of clauses (ii) and (iii), as would not reasonably be expected to have, individually or in the aggregate, a material and adverse effect on the ability of BOCO US to consummate the Transactions (a "BOCO US Material Adverse Effect").

Section 3.3. Governmental Approvals and Consents. No consents or approvals of, or filings, declarations or registrations with, any Governmental Authority are necessary (a) for the execution and delivery of this Agreement by BOCO US or the consummation by BOCO US of the Transactions, or (b) to enable BOCO US to own the Purchased Assets following the Closing Date.

Section 3.4. Legal Proceedings. There is no legal or administrative proceeding, claim, suit or action pending or, threatened before any arbitrator or Governmental Authority, that would be expected to prevent, delay, make illegal or otherwise interfere with the ability of BOCO US to consummate the Transactions.

Section 3.5. Financial Capability. BOCO US has ready access to sufficient funds to pay the Purchase Price on the terms and conditions contemplated by this Agreement and to perform and consummate the Transactions.

ARTICLE IV
PRE-CLOSING COVENANTS AND AGREEMENTS

Section 4.1. Conduct of the Business Prior to Closing. Except as contemplated in this Agreement, as required by applicable Law or with the written consent of BOCO US, from the Execution Date until the Closing or the earlier termination of this Agreement pursuant to its terms, the Sellers shall use commercially reasonable efforts to maintain the Purchased Assets in the same condition as they are on the Execution Date. Without limiting the generality of the foregoing, as contemplated in this Agreement, as required by applicable Law or with the written consent of BOCO US, from the Execution Date until the Closing or the earlier termination of this Agreement pursuant to its terms, the Sellers shall not:

(a) divest, sell, transfer, lease, license, abandon, allow to lapse, mortgage, pledge or otherwise dispose of, or encumber, or agree to divest, sell, transfer, lease, license, abandon, allow to lapse, mortgage, pledge or otherwise dispose of, or encumber, any of the Purchased Assets;

(b) amend, modify or terminate any Key Products IP Contract, except in connection with the assignment of any right, benefit or interest thereunder to BOCO US pursuant to this Agreement;

(c) abandon, let lapse or cancel any Key Products IP Rights; or

(d) alter in any way any of the files on the Hard Drives without the prior written authorization from BOCO US.

Section 4.2. Commercially Reasonable Efforts. From the Execution Date until the Closing, each of the Sellers and BOCO US shall use commercially reasonable efforts to cause to be fulfilled and satisfied all of the conditions to Closing set forth in ARTICLE VI.

Section 4.3. No Shopping. Subject to BOCO US's funding the Escrow Deposit in accordance with Section 1.6(c), until the earlier of (a) the Closing and (b) the termination of this Agreement pursuant to its terms, no Seller shall, nor shall any Seller authorize or permit any of its representatives to, (i) initiate, solicit or knowingly encourage the submission of any proposal concerning the sale of all or any part of Purchased Assets (a "Competing Transaction") or (ii) hold any discussions or enter into any agreements with, or provide any information or respond to, any third party concerning a proposed Competing Transaction or cooperate in any way with, agree to, assist or participate in, solicit, consider, entertain, facilitate or encourage any effort or attempt by any third party to do or seek any of the foregoing.

Section 4.4. Microbot Merger; Stockholder Approval. Following the Execution Date and until all obligations of STEMCLLS Parent to complete the Microbot Merger are terminated, STEMCELLS Parent shall continue to take all commercially reasonable action necessary in accordance with the DGCL and its certificate of incorporation and bylaws to consummate the Microbot Merger. In the event that, prior to any consummation of the Microbot Merger, all agreements under which STEMCELLS Parent and Microbot have agreed to consummate the Microbot Merger have been terminated in accordance with their respective terms and all applicable Laws, and no party thereto has in good faith contested any such termination, STEMCELLS Parent shall thereafter take all commerically reasonable action necessary in accordance with the DGCL and its certificate of incorporation and bylaws to seek the affirmative votes or consents of its stockholders to approve and adopt the Transactions (the "Transactions Stockholder Approval"). All actions taken pursuant to this Section 4.4 shall be taken at the sole cost and expense of the Sellers.

Section 4.5. Access to Information Prior to the Closing. If the Closing does not occur on or before December 1, 2016, the Sellers shall, during the period from December 1, 2016 through the Closing Date: (a) give BOCO US and its authorized representatives reasonable access during regular business hours to the Hard Drives and the Identified Boxes as BOCO US may reasonably request for the sole purpose of cataloging what is included in the Hard Drives and the Identified Boxes; and (b) use their commercially reasonable efforts to enable BOCO US to have access to the Hard Drives and the Identified Boxes and provide BOCO US with answers to inquiries regarding the Purchased Assets for the purpose referenced above; provided that the total time spent by the Sellers or BOCO US in connection with the foregoing shall not exceed 30 hours in the aggregate. In connection with BOCO US's access to the Purchased Assets as set forth in this Section 4.5, BOCO US shall be accompanied at all times by a representative of the Sellers (who may be a former employee or consultant designated by the Sellers) unless the Sellers otherwise agree.

ARTICLE V
POST-CLOSING COVENANTS AND AGREEMENTS

Section 5.1. Public Announcements. Notwithstanding anything to the contrary, both BOCO US and the Sellers may issue a press release or other public announcement of the Transactions after the Execution Date.

Section 5.2. Access to Information.

(a) The Sellers shall preserve until the 12-month anniversary of the Closing Date all books, Contracts and records possessed by the Sellers which are not included in the Purchased Assets which may reasonably be expected to contain information relating to any of the Purchased Assets; provided that if the Sellers decide to dispose of any books, Contracts and records possessed by the Sellers which are not included in the Purchased Assets which may reasonably be expected to contain information of scientific importance directly relating to any of the Purchased Assets prior to the 6 year anniversary of the Closing, the Sellers shall first notify BOCO US at least 30 days prior to any such disposition and BOCO US shall have the right, at its own expense, to retrieve all originals and all copies of such information before it is disposed of by the Sellers. If BOCO US exercises its right to retrieve any books, Contracts and records pursuant to this Section 5.2(a), the Sellers shall use their commercially reasonable efforts to cooperate with BOCO US to assist BOCO US with the retrieval of any such books, Contracts and records.

(b) For the 12-month period beginning on the Closing Date, the Sellers shall afford to BOCO US and its representatives reasonable access during normal business hours to all of its properties, books, Contracts and records related to the Purchased Assets, and the Sellers shall instruct their employees, counsel, financial advisors, auditors and other authorized representatives to cooperate with BOCO US, in connection with any reasonable request for such access. BOCO US and its representatives shall have the right to make copies of such books, Contracts and records as may be reasonably necessary to make full use of the Purchased Assets.

(c) In the event that a Seller becomes subject to any action, suit, investigation or proceeding related to the Purchased Assets or is required to file or furnish any document with any Governmental Authority related to the Purchased Assets, or access to the Purchased Assets by the Sellers is reasonably necessary for compliance with any applicable Law, BOCO US shall afford to the Sellers and their representatives reasonable access during normal business hours to all of the properties, books, Contracts and records included within the Purchased Assets which are still in the possession of BOCO US and its Affiliates, and BOCO US shall instruct their employees, counsel, financial advisors, auditors and other authorized representatives to cooperate with the Sellers, in connection with any reasonable request for such access. The Sellers and their representatives shall have the right, at the Sellers' sole expense, to make copies of such books, Contracts and records as may be reasonably necessary for the foregoing purposes.

Section 5.3. Confidentiality. The Sellers recognize that by reason of their ownership of the Purchased Assets, including the use and ownership of the Key Products, the Sellers have acquired Confidential Information and Trade Secrets concerning the Key Products and the other Purchased Assets, the use or disclosure of which could cause BOCO US or its Affiliates substantial loss and damages. Accordingly, the Sellers covenant to BOCO US that the Sellers will not, except in performance of its obligations to BOCO US or with the prior written consent of BOCO US, disclose, or cause any third party to disclose, any Confidential Information relating to the Key Products or other Purchased Assets that they may learn or have learned by reason of their ownership of the Key Products or other Purchased Assets, unless (a) it is available to the public prior to the Closing or becomes generally available to the public other than as a result of disclosure by the Sellers or any of its Affiliates as a result of a breach of this Section 5.3, (b) disclosure is required by applicable Law , (c) disclosure is necessary to defend or prosecute any indemnification claim or any litigation or dispute, including in connection with any claim of any Seller against BOCO US, or (d) such information becomes available to a Seller on a non-confidential basis from a source other than BOCO US or any of its Affiliates, without, to the Seller's Knowledge, being subject to any contractual or other obligation of confidentiality to BOCO US or any of its Affiliates. Notwithstanding the foregoing, the provisions of this Section 5.3 do not apply to: (i) the issue by the Parties of the announcements described herein, (ii) any announcement required to be made by any Party by virtue of the regulations of the SEC or any analogous securities regulatory authority of any Governmental Authority outside of the United States, by any Governmental Authority competent to require the same, or by any applicable Law or applicable requirement of a stock exchange, provided that in any of the foregoing instances, the other Party, to the extent lawful and practicable, is first given a reasonable opportunity to take the necessary measures to prevent or otherwise limit the content of such announcement; (iii) any statement or disclosure made in good faith by any Party after the Closing Date in connection with any civil, criminal, regulatory or arbitration proceedings in any jurisdiction brought or threatened by or against it in relation to this Agreement or any other document(s) referred to in it, or (iv) any disclosure made by a Party to its professional advisers, collaborators, lenders, and business associates provided that such disclosure is made under obligations of confidentiality. Moreover, nothing in this Section 5.3 shall limit in any way the ability of any Party to consult any professional adviser (including a tax adviser independent from all other entities involved in the transaction) in relation to any matter arising out of this Agreement or any of the other documents referred to in it, including the tax treatment and tax structure of the Transactions.

Section 5.4. Fees and Expenses. Except as expressly set forth in this Agreement, all fees and expenses incurred in connection with the Transactions shall be paid by the party incurring such expenses, whether or not the Transactions are consummated. For the avoidance of doubt, except as expressly set forth in this Agreement, all fees and expenses incurred in connection with the Transactions by the Sellers shall be borne by the Sellers and none shall be borne by, or be the responsibility of BOCO US or included in the Assumed Liabilities.

Section 5.5. Further Assurances. In the event that at any time during the 90-day period immediately after the Closing Date any further action is necessary to fully effect the Transactions, including the assignment of any Key Products IP Rights, each of the Parties shall take, or cause to be taken, at BOCO US's sole expense, such further action (including (i) transferring to BOCO US any asset or liability contemplated by this Agreement to be a Purchased Asset or an Assumed Liability, respectively, which was not transferred to BOCO US at or before the Closing, and (ii) the execution and delivery of such further instruments and documents) as the other Party may reasonably request.

Section 5.6. Key Products IP Contracts. For the period of 90 days immediately following the Closing Date, upon BOCO US's written request, the Sellers will use commercially reasonable efforts to assign to either BOCO US or to one of its designated Affiliates each of the Key Products IP Contacts if not assigned at the Closing.

Section 5.7. Seller Non-Competition and Non-Solicitation.

(a) During the four-year period immediately following the Closing Date, none of the Sellers nor any of their Affiliates will:

(i) engage in, cause any third party to engage in, own, or have any financial interest in, a business that is engaged in, the research, development or commercialization of any of the Key Products for any purpose anywhere in the United States and any other country that the Sellers engaged in the research, development or commercialization of the Key Products in prior to the Closing, provided that such ownership or financial interest shall not apply to any investment of up to 1% of any class of publicly traded securities or up to 5% of the securities of a private company;

(ii) solicit or attempt to solicit any Person who is or has been a supplier, distributor, collaborator, contract research organization, licensor, licensee or any other business relation of the Sellers within the past three years to (A) cease doing business with BOCO US or its Affiliates, or (B) alter or limit its business relationship with BOCO US or its Affiliates; or

(iii) solicit, or cause any third party to solicit, for employment or employ any employee of BOCO US or its Affiliates, or request, induce or advise any employee to leave the employment of BOCO US or any of its Affiliates, without the prior written consent of BOCO US; provided, that a general offer of employment to the public shall not be deemed prohibited hereunder as long as not specifically directed at employees of BOCO US or any of its Affiliates. For the avoidance of doubt, upon the closing of the Microbot Merger, Microbot shall be considered an Affiliate of STEMCELLS Parent and will thereby be subject to the foregoing provisions of this Section 5.7.

(b) The nature and scope of the foregoing protection has been carefully considered by the parties hereto. The parties hereto agree and acknowledge that the duration, scope and geographic areas applicable to such provisions are fair, reasonable and necessary and that adequate compensation has been received by the Sellers for such obligations. If, however, for any reason any court of competent jurisdiction determines in a final and non-appealable judgment that any such restrictions are not reasonable, such restrictions shall be interpreted, modified or rewritten to include as much of the duration, scope and geographic area identified in this Section 5.7 as will render such restrictions valid and enforceable.

(c) In the event of a breach or threatened breach of this Section 5.7, BOCO US shall be entitled, without the posting of a bond, to an injunction restraining such breach. Nothing herein contained shall be construed as prohibiting any party from pursuing any other remedy available to it for such breach or threatened breach.

Section 5.8. Change of Names. Promptly upon the Closing, the Sellers shall take commercially reasonable efforts to discontinue their use of any and all Seller Marks. Notwithstanding the foregoing, BOCO US hereby grants to the Sellers a limited, worldwide, non-transferable, non-sublicensable, royalty-free, fully paid-up, non-exclusive license solely to use, reproduce and display the Seller Marks solely on existing forms, stationery and other materials bearing the Seller Marks as of the Closing or to indicate, for informational purposes, the transfer of the Purchased Assets and to make filings and other submissions required by Law.

Section 5.9. Certain Tax Matters. Notwithstanding anything herein to the contrary, the Sellers shall be solely liable for, and shall pay when due, any transfer, gains, documentary, sales, use, registration, stamp, value-added or other similar Taxes (" Transfer Taxes") payable by reason of the Transactions, and the Sellers shall file, at their expense, all necessary Tax Returns and other documentation with respect to all Transfer Taxes.

ARTICLE VI
CONDITIONS TO CLOSING

Section 6.1. Conditions to BOCO US's Obligation to Close. The obligations of BOCO US to consummate the Transactions shall be subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions, any of which may be waived by BOCO US in writing:

(a) The representations and warranties of Sellers in ARTICLE II shall be true and correct in all respects as of the Closing (or, to the extent such representations and warranties speak as of a specific date or time, they shall be true in all respects as of such date or time), except as otherwise contemplated by this Agreement and except for such inaccuracies under such representations and warranties which, taken together in their entirety, would not, individually or in the aggregate, result in a Seller Material Adverse Effect;

(b) the Sellers shall have performed, in all material respects, all covenants and obligations in this Agreement required to be performed by the Sellers as of the Closing Date; and

(c) there shall not have occurred any Seller Material Adverse Effect.

Section 6.2. Conditions to the Sellers' Obligation to Close. The obligations of the Sellers to consummate the Transactions shall be subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions, any of which may be waived by the Sellers in writing:

(a) the representations and warranties of BOCO US in ARTICLE III shall be true and correct in all respects as of the Closing Date (or, to the extent such representations and warranties speak as of a specific date or time, they shall be true in all respects as of such date or time) and except for such inaccuracies under such representations and warranties which, taken together in their entirety, would not, individually or in the aggregate, impair or delay the ability of BOCO US to consummate the Transactions;

(b) BOCO US shall have performed its obligations in Section 1.6(c) and any other material covenants and obligations required in this Agreement to be performed by BOCO US as of the Closing Date; and

(c) there shall not have occurred any BOCO US Material Adverse Effect.

Section 6.3. Conditions to Obligations of Each Party to Close. The respective obligations of each Party to consummate the Transactions shall be subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions, which may be waived by mutual consent of the Sellers and BOCO US, in writing:

(a) **No Legal Impediments to Closing**. There shall not be in effect any Order issued by any Governmental Authority preventing the consummation of the Transactions, seeking any Losses as a result of the Transactions, or otherwise affecting the right or ability of BOCO US to own, operate or control the Purchased Assets. There shall not be any applicable Law prohibiting the Sellers from selling or BOCO US from owning, operating or controlling the Purchased Assets or that makes this Agreement or the consummation of the Transactions illegal; and

(b) **Microbot Merger; Stockholder Approval**. The Microbot Merger will have been consummated or the Transactions Stockholder Approval will have been obtained in accordance with Section 4.4.

ARTICLE VII
TERMINATION

Section 7.1. Circumstances for Termination. At any time prior to the Closing, this Agreement:

(a) shall terminate immediately upon BOCO US's failure to fund the Escrow Deposit in accordance with Section 1.6(c); and

(b) may be terminated by written notice explaining the reason for such termination:

(i) by the mutual written consent of BOCO US and the Sellers;

(ii) by either BOCO US or the Sellers, if (i) the non-terminating Party is in material breach of any material provision of this Agreement and such breach shall not have been cured within 30 days of receipt by such Party of written notice from the terminating Party of such breach and (ii) the terminating Party is not, on the date of termination, in material breach of any material provision of this Agreement;

(iii) by either the Sellers or BOCO US, if the Closing has not occurred on or prior to 120 days from the Execution Date (the "**Drop-Dead Date**") for any reason; provided further, however, that the rights to terminate this Agreement under this Section 7.1(b)(iii) shall not be available to any Party whose breach of any covenants or agreements contained in this Agreement has been the cause of, or resulted in, the failure of the Closing Date to occur on or before the Drop-Dead Date; and

(iv) by either Party at any time following 180 days from the Execution Date.

Section 7.2. Effect of Termination. If this Agreement is terminated in accordance with Section 7.1:

(a) all obligations of the Parties hereunder shall immediately terminate, except for the obligations set forth in Section 5.4, this Section 7.2 and Section 9.5, provided, however, that nothing herein shall relieve any Party from Liability for any breach of this Agreement prior to such termination; and

(b) to the extent that BOCO US has funded the Escrow Account with the Escrow Deposit pursuant to Section 1.6(c), the Escrow Agent shall release the Escrow Deposit to BOCO US from the Escrow Account in accordance with the terms of the Escrow Agreement.

ARTICLE VIII
INDEMNIFICATION

Section 8.1. Survival of Representations and Warranties; Indemnification.

(a) The representations and warranties of the parties contained in this Agreement and any document delivered pursuant to this Agreement shall survive the Closing until the date that is one year following the Closing Date (the "Survival Period"); provided, however, that any claim with respect to fraud, criminal activity or willful misconduct on the part of the Sellers will survive and can be made by a BOCO Indemnified Party at any time. Notwithstanding anything to the contrary in this Section 8.1, the indemnification obligations pursuant to this ARTICLE VIII shall not terminate with respect to any indemnification claim made by a BOCO Indemnified Party prior to the expiration of the applicable Survival Period until such claim is resolved.

(b) From and after the Closing, and subject to the terms of this ARTICLE VIII, the Sellers hereby jointly and severally agree to indemnify, defend and hold harmless BOCO US and its Affiliates and their respective directors, managers, officers, employees, equity holders, members, partners, agents, attorneys, representatives, successors and assigns (collectively, the "BOCO Indemnified Parties") from and against, and pay to the applicable BOCO Indemnified Parties, the amount of any and all losses, liabilities, claims, obligations, deficiencies, demands, judgments, damages (including consequential damages), interest, fines, penalties, claims, suits, actions, causes of action, assessments, awards, costs and expenses (including costs of investigation and defense and reasonable attorneys' and other professionals' fees), whether or not involving a third party claim (individually, a "Loss" and, collectively, "Losses") actually incurred by the BOCO Indemnified Parties and solely to the extent based upon, attributable to or resulting from:

(i) any inaccuracy in or breach of the representations or warranties made by the Sellers in Section 2.1, Section 2.2, Section 2.3 and Section 2.4 of this Agreement;

(ii) any inaccuracy in or breach of the representations or warranties made by the Sellers in Section 2.11 of this Agreement;

(iii) any inaccuracy in or breach of the representations or warranties made by the Sellers in Section 2.5, Section 2.6, Section 2.7, Section 2.8, Section 2.9, Section 2.12, Section 2.13, Section 2.14 and Section 2.15 this Agreement;

(iv) any breach or non-performance of any covenant or other agreement prior to the Closing on the part of the Sellers under this Agreement or any document delivered pursuant to this Agreement;

(v) any breach or non-performance of any covenant or other agreement after the Closing on the part of the Sellers under this Agreement or any document delivered pursuant to this Agreement;

(vi) any misuse after the Closing of any Trade Secrets or other Confidential Information solely to the extent related to the Key Products by any of the Sellers or any of their Affiliates; and

(vii) any of the Excluded Assets or any of the Retained Liabilities.

Section 8.2. Indemnification Procedures.

(a) Any claim for indemnification on account of a Loss which does not result from a Third Party Claim (a "Direct Claim") shall be asserted by the BOCO Indemnified Party giving the Sellers prompt written notice thereof. The failure to give such prompt written notice, provided that such notice is delivered within the Survival Period, shall not, however, relieve the Sellers of their indemnification obligations, except to the extent the Sellers can demonstrate actual material loss and prejudice as a result of such failure. Such notice by the BOCO Indemnified Party shall describe the Direct Claim and include a reasonably detailed description of the amount of the Loss (the "Claimed Amount") actually incurred by the BOCO Indemnified Party and matter or condition set forth in Section 8.1(b) allegedly giving rise to the Direct Claim. The Sellers shall have 60 days after their receipt of such notice (the "Direct Claim Response Period") to respond in writing to such Direct Claim. During such Direct Claim Response Period, the BOCO Indemnified Party shall allow the Sellers and their professional advisors to investigate the matter or circumstance alleged to give rise to the Direct Claim, and whether and to what extent any amount paid in respect of the Direct Claim is attributable to such matter or circumstance, and the BOCO Indemnified Party shall assist the Sellers' investigation by giving such information and assistance (including access to the BOCO Indemnified Party's premises and personnel and the right to examine and copy any accounts, documents or records) as the Sellers or any of their professional advisors may reasonably request. If the Sellers dispute their obligation to pay the Claimed Amount, BOCO US and the Sellers shall attempt in good faith to reach an agreement as to the disputed matter. If BOCO US and the Sellers shall have failed to resolve such disputed matters within 90 days after expiration of the Direct Claim Response Period, then such outstanding dispute shall be determined by arbitration conducted in accordance with Section 9.5.

(b) In the event that any Legal Proceedings shall be instituted or that any claim or demand shall be asserted by any third party in respect of which indemnification may be sought under Section 8.1(b) hereof (a "Third Party Claim"), the BOCO Indemnified Party shall promptly cause written notice of the assertion of any Third Party Claim of which it has knowledge which is covered by this indemnity to be forwarded to the Sellers. The failure of the BOCO Indemnified Party to give reasonably prompt notice of any Third Party Claim, provided that such notice is delivered within the Survival Period, shall not release, waive or otherwise affect the Sellers' obligations with respect thereto except to the extent that the Sellers can demonstrate actual material loss and prejudice as a result of such failure. Subject to the provisions of this Section 8.2, the Sellers shall have the right, at their sole expense, to be represented by counsel of their choice and to defend against, negotiate, settle or otherwise deal with any Third Party Claim which relates to any Losses indemnified against by them hereunder. If the Sellers elect to defend against, negotiate, settle or otherwise deal with any Third Party Claim which relates to any Losses indemnified against by them hereunder, they shall, within twenty days of the BOCO Indemnified Party's written notice of the assertion of such Third Party Claim (or sooner, if the nature of the Third Party Claim so requires), notify the BOCO Indemnified Party of their intent to do so; provided that the Sellers must conduct their defense of the Third Party Claim actively and diligently thereafter in order to preserve their rights in this regard. If the Sellers elect not to defend against, negotiate, settle or otherwise deal with any Third Party Claim which relates to any Losses indemnified against by them hereunder, fails to notify the BOCO Indemnified Party of their election as herein provided or contests their obligation to indemnify the BOCO Indemnified Party for such Losses under this Agreement, the BOCO Indemnified Party may (subject to the terms of this Section 8.2(b)) at its sole expense defend against, negotiate, settle or otherwise deal with such Third Party Claim. If the Sellers shall assume the defense of any Third Party Claim, the BOCO Indemnified Party may participate, at his, her or its own expense, in the defense of such Third Party Claim; provided, however, that such BOCO Indemnified Party shall be entitled to participate in any such defense with separate counsel if (i) so requested by the Sellers to participate or (ii) in the reasonable, good-faith opinion of counsel to the BOCO Indemnified Party, a conflict with respect to such Third Party Claim exists between the BOCO Indemnified Party and the Sellers that cannot be waived and would make such separate representation advisable. Each Party agrees to provide reasonable access to each other Party to such documents and information as may reasonably by requested in connection with the defense, negotiation or settlement of any such Third Party Claim. Notwithstanding anything in this Section 8.2 to the contrary, neither the Sellers nor any BOCO Indemnified Party shall, without the written consent of the other Party, settle or compromise any Third Party Claim or permit a default or consent to entry of any judgment unless (x) the claimant (or claimants) and such Party provide to such other Party an unqualified release from all liability in respect of the Third Party Claim and such settlement or compromise, or such default or entry of judgment, as applicable, does not oblige such other Party to take or forbear any action or waive any right or (y) if such Third Party Claim is with respect to Taxes, such settlement or compromise, or such default or entry of judgment, as applicable, could not reasonably be expected to have an adverse effect on the Sellers or BOCO US, as applicable.

(c) After any final decision, judgment or award shall have been rendered by a Governmental Authority of competent jurisdiction and the expiration of the time in which to appeal therefrom, or a settlement shall have been consummated, or the BOCO Indemnified Party and the Sellers shall have arrived at a mutually binding agreement, in each case with respect to a Third Party Claim hereunder, the BOCO Indemnified Party shall forward to the Sellers and the Escrow Agent notice of any sums due and owing by the Sellers pursuant to this ARTICLE VIII with respect to such matter and the Sellers shall pay all of such remaining sums so due and owing to the BOCO Indemnified Party in accordance with Section 8.4.

Section 8.3. Limitations on Indemnification.

(a) Notwithstanding anything to the contrary: (i) the Sellers' maximum aggregate liability to the BOCO Indemnified Parties with respect to all Losses and other payments arising out of or relating to the matters described in Section 8.1(b), including Section 8.1(b)(i) and Section 8.1(b)(vii), shall not exceed an amount equal to USD4,000,000 (the "Cap"); (ii) the Sellers' maximum aggregate liability to the BOCO Indemnified Parties with respect to all Losses and other payments arising out of or relating to the matters described in Section 8.1(b)(ii), Section 8.1(b)(v) and Section 8.1(b)(vi) shall not exceed an amount equal to USD3,000,000, (iii) the Sellers' maximum aggregate liability to the BOCO Indemnified Parties with respect to all Losses and other payments arising out of or relating to the matters described in Section 8.1(b)(iii) and Section 8.1(b)(iv) shall not exceed an amount equal to USD400,000 (the "Holdback Amount") and (iv) there shall be no Cap with respect to Losses arising from fraud, criminal activity or willful misconduct on the part of the Sellers.

(b) There shall be disregarded for all purposes (including, for the avoidance of doubt, the application of the de minimis threshold in Section 8.3(c) below) any Direct Claim or Third-Party Claim (each a "Claim") in respect of which the amount which a BOCO Indemnified Party would otherwise (but for the provisions of this Section 8.3(b)) be entitled to recover would be less than USD10,000.

(c) None of the Sellers shall be obligated to indemnify any Person with respect to any Losses arising out or relating to matters described in Section 8.1(b), until the aggregate amount of all Losses in respect of indemnification under Section 8.1(b) exceeds USD40,000 (the "Minimum") in which event Seller shall be required to pay or be liable for all such Losses from the first dollar.

(d) For purposes of determining the failure of any representations or warranties to be true and correct, the breach of any covenants or agreements, and calculating Losses hereunder, any materiality or Seller Material Adverse Effect or BOCO US Material Adverse Effect qualifications in the representations, warranties, covenants and agreements shall be disregarded.

(e) Notwithstanding anything contrary contained in this Agreement, (i) any Liability of the Sellers in respect of any Claim shall terminate absolutely if the action or proceeding in respect of it shall not have been commenced by being both issued and served on the Sellers, as the case may be, within the period of 6 months from the date on which the Sellers received notice from the BOCO Indemnified Party of such Claim; (ii) none of the Sellers shall be liable in respect of any Claim based upon a Liability that is contingent, only unless and until such contingent liability becomes an actual liability; and (iii) the Sellers shall cease to have any Liability for any Claim, unless notice is given in accordance with Section 8.2 on or before the first anniversary of Closing Date.

(f) Notwithstanding anything contrary contained in this Agreement, none of the Sellers shall have any liability in respect of any Claim to the extent that BOCO US is insured against any loss or damage suffered by any Seller forming the basis of the Claim in question under the terms of any insurance policy of BOCO US.

(g) Where the scope of any Seller's liability in relation to any particular matter the subject of a specific warranty has been limited expressly pursuant to that or any other warranty or any other provision of this Agreement, the Sellers shall have no liability in respect of any Claim relating to such matter other than under the terms of that specific warranty.

(h) For the avoidance of doubt: (i) nothing herein shall limit BOCO US's obligation to mitigate its loss in respect of any Claim to the extent reasonable and practicable; and (ii) no BOCO Indemnified Parties shall be entitled to recover damages in respect of any Claim or otherwise obtain reimbursement or restitution more than once in respect of the same fact or subject matter.

Section 8.4. Indemnity Escrow.

(a) Any payment the Sellers are obligated to make to any BOCO Indemnified Parties pursuant to this ARTICLE VIII shall be paid, first, to the extent there are sufficient funds in the Escrow Account, by release of funds to the BOCO Indemnified Parties from the Escrow Account by the Escrow Agent in accordance with the provisions of the Escrow Agreement, within five Business Days after the date notice of any sums due and owing is given to the Sellers (with a copy to the Escrow Agent pursuant to the Escrow Agreement), by the applicable BOCO Indemnified Party and shall accordingly reduce the Escrow Account and, second, to the extent the Escrow Account is insufficient to pay any remaining sums due, then Sellers shall be required to pay all such additional sums due and owing to the BOCO Indemnified Parties by wire transfer of immediately available funds within five Business Days after the date of such notice.

(b) On the expiration of the Survival Period, the Escrow Agent shall release the funds in the Escrow Account (to the extent not utilized to pay for any indemnification claim), 85% of such funds to STEMCELLS Parent and 15% of such funds to the Consultants, in accordance with the terms of the Escrow Agreement, except that the Escrow Agent shall retain an amount (up to the total amount then held by the Escrow Agent) equal to the amount of claims for indemnification under this ARTICLE VIII asserted prior to such expiration of the Survival Period but not yet resolved ("Unresolved Claims"). The Escrow Account retained for Unresolved Claims shall be released by the Escrow Agent (to the extent not utilized to pay BOCO US for any such claims resolved in favor of BOCO US) upon their resolution in accordance with this ARTICLE VIII and the Escrow Agreement.

Section 8.5. Tax Treatment of Indemnity Payments. Seller and BOCO US agree to treat any indemnity payment made pursuant to this this ARTICLE VIII as an adjustment to the Purchase Price for all Tax purposes.

Section 8.6. Exclusive Remedies. Subject to Section 9.6, the parties acknowledge and agree that their sole and exclusive remedy with respect to any and all claims (other than claims arising from fraud, criminal activity or willful misconduct) for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement shall be pursuant to the indemnification provisions set forth in this ARTICLE VIII. Notwithstanding the foregoing, nothing contained in this Agreement shall limit a party's right to pursue equitable remedies, including, without limitation, injunctive relief and specific performance.

ARTICLE IX
MISCELLANEOUS

Section 9.1. Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned or delegated, in whole or in part, by operation of applicable Laws or otherwise, by any of the parties without the prior written consent of the other parties; provided, that (a) BOCO US may assign any of its rights and obligations hereunder, in whole or in part, to any of its Affiliates without obtaining the consent of the Sellers, and (b) each of the Sellers may assign any of its rights and obligations hereunder, in whole or in part, without obtaining the consent of BOCO US, to any of their Affiliates and to any third party by sale of stock or operation of Law in connection with a *bona fide* third party merger or sale of substantially all of such Seller's assets to such third party. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and permitted assigns. Any purported assignment not permitted under this Section 9.1 shall be null and void.

Section 9.2. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of Electronic Transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

Section 9.3. Entire Agreement; No Third Party Beneficiaries. This Agreement, including the Sellers Disclosure Schedule, the exhibits hereto, the documents and instruments relating to the Transactions referred to herein, and the Confidentiality Agreement constitute the entire agreement, and supersede all prior agreements and understandings, both written and oral among the parties with respect to the subject matter of this Agreement and the Confidentiality Agreement. Nothing in this Agreement, express or implied, is intended to or shall confer upon any Person (other than the parties hereto) any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 9.4. Governing Law. This Agreement shall in all respects be governed by, and construed in accordance with, the Laws (excluding conflict of laws rules and principles) of the State of New York applicable to agreements made and to be performed entirely within such State, including all matters of construction, validity and performance.

Section 9.5. Arbitration.

(a) Any controversy, claim or dispute arising out of or related to this Agreement or the interpretation, performance, or breach hereof, including but not limited to alleged violations of state or federal statutory or common law rights or duties, all tort claims and all claims for punitive damages (a "Dispute"), shall be resolved solely according to the procedures set forth in this Section 9.5.

(b) The parties shall attempt, whenever possible, to discuss and resolve any Disputes on an informal basis, in order to avoid the expense and delay associated with arbitration. A party invoking these dispute resolution procedures shall deliver a notice to the other parties (a "Dispute Notice") of the claims it intends to bring and the relief sought, including sufficient details regarding the factual, contractual or other legal bases for the party's claim as reasonably required to enable the parties receiving the Dispute Notice to evaluate the claim and respond thereto. No arbitrator shall have authority to consider or resolve any Dispute that is not first the subject of a Dispute Notice and subject to informal dispute resolution pursuant to this Section.

(c) If the parties are unable to resolve one or more Disputes informally, any party to the Dispute may initiate a confidential binding arbitration proceeding for the final resolution of such remaining Disputes. A party shall initiate arbitration by delivering a notice to the other parties (an "Arbitration Notice") describing the Disputes to be arbitrated. Within 10 Business Days of receiving an Arbitration Notice, the receiving party may deliver its own Arbitration Notice, specifying additional Disputes to be submitted to arbitration. If more than one Dispute is to be arbitrated, the subject matters of the various Disputes need not be related to each other.

(d) Any arbitration shall be submitted to the Hong Kong branch of the China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with the CIETAC's arbitration rules in effect at the time of execution of this Agreement, which rules are incorporated herein by this reference.

(e) The arbitration tribunal shall consist of three arbitrators (the "Arbitrators"): (a) one selected by BOCO US, (b) one selected by the Sellers, and (c) one selected jointly by BOCO US and the Sellers, none of whom shall be a U.S. or Chinese national. Each Arbitrator shall speak fluently both English and at least one of the Chinese languages.

(f) The arbitration tribunal shall issue a written opinion in English setting forth its award, factual determinations and the legal basis for its decision. The arbitration proceedings will be conducted in English. BOCO US may, at its own option and expense, have such opinion or such proceeding translated into Chinese.

(g) The arbitration decision shall be binding and final upon the parties thereto, and judgment on any award rendered by the Arbitrators may be entered in any court having jurisdiction thereof.

(h) Each Party will bear its own costs associated with the resolution or arbitration of any Dispute. The costs to be paid to CIETAC to conduct the arbitration will be shared 50% by the Sellers and 50% by BOCO US.

Section 9.6. Specific Performance. The parties agree that irreparable damage would occur in the event that any of the provisions of Section 5.7 were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that BOCO US shall be entitled to an injunction or injunctions to prevent breaches of Section 5.7 and to enforce specifically the terms and provisions thereof in any court having jurisdiction thereof, without bond or other security being required, this being in addition to any other remedy to which BOCO US is entitled under applicable Laws or in equity.

Section 9.7. Notices. All notices, requests and other communications to any party hereunder shall be in writing and shall be deemed given if delivered personally, or sent by nationally recognized overnight courier (providing proof of delivery) to the parties at the following addresses:

If to BOCO US, to:

BOCO Silicon Valley, Inc.
43152 Nielson Court
Fremont, CA 94539
Attention: Shirley Zhou

with a copy, which will not constitute notice, to:

Dentons US, LLP
1530 Page Mill Road, Suite 200
Palo Alto, CA 94304-1125
Attention: Peter Su
Ilan Katz

If to the Sellers, to:

StemCells, Inc.
39899 Balentine Drive, Suite 200
Newark, CA 94560
Attention: President

with a copy, which will not constitute notice, to:

Ropes & Gray LLP
36F, Park Place1601 Nanjing Road West
Shanghai 200040, PRC
Attention: Arthur Mok, Esq.

or such other address or facsimile number as such party may hereafter specify by like notice to the other parties hereto. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5:00 p.m. (local time) on a Business Day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed to have been received on the next succeeding Business Day in the place of receipt.

Section 9.8. Severability. If any term or other provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or incapable of being enforced by any rule of any applicable Laws or public policy, all other terms, provisions and conditions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the fullest extent permitted by applicable Laws in an acceptable manner to the end that the Transactions are fulfilled to the extent possible.

Section 9.9. Definitions. As used in this Agreement, the following terms have the meanings ascribed thereto below:

(a) "Affiliate" shall mean, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person.

(b) "Business Day" shall mean a day except a Saturday, a Sunday or other day on which banks in Beijing, New York or Tel Aviv are authorized or required by applicable Laws to be closed.

(c) "Confidential Information" shall mean all confidential or proprietary information, whether written or oral. Notwithstanding the foregoing, Confidential Information shall not include information (i) which was publicly known prior to initial disclosure of such information by a disclosing Person, (ii) that has become publicly known, in print or other tangible form, without any act or omission of any Person other than the disclosing Person, (iii) received by a receiving party without restriction at any time from a third party, other than the disclosing party, rightfully having possession of and the right to disclose such information, (iv) shown to have been otherwise known by the receiving party prior to disclosure of such information by the disclosing party to the receiving party, or (v) shown to have been independently developed by employees or agents of the receiving party without access to or use of such information of the disclosing party.

(d) "Confidentiality Agreement" means that certain Mutual Confidential Disclosure Agreement, dated March 9, 2015, as amended on September 25, 2016, by and between STEMCELLS Parent and Bright Oceans Corporation.

(e) "Contracts" shall mean all written contracts, agreements, arrangements, leases, licenses, obligations, sales and purchase orders, commitments, and other written arrangements or undertakings that are binding, or purport to be binding by their terms, on the parties thereto, and any outstanding bids or proposals (which bids or proposals if accepted by the recipient thereof would result in a binding contract).

(f) "Edinburgh Licence Agreement" shall mean that certain license agreement made between Stem Cells Sciences Limited and the University of Edinburgh, dated January 31, 2006, as amended prior to the Closing;

(g) "FDA" shall mean the United States Food and Drug Administration or any successor federal agency thereto.

(h) "GAAP" shall mean generally accepted accounting principles in the United States.

(i) "Governmental Authority" shall mean any government, court, regulatory or administrative agency, commission, authority, department, court, or official, including any political subdivision thereof, any governmental self-regulatory agency or any other governmental instrumentality, whether federal, state, local, domestic, foreign or multinational.

(j) "Indebtedness" shall mean all obligations and indebtedness of the Sellers (i) for borrowed money (other than trade debt and other similar liabilities incurred in the ordinary course of business), (ii) evidenced by a note, bond, debenture or similar instrument, (iii) created or arising under any capital lease, conditional sale, earn out or other arrangement for the deferral of purchase price of any property, (iv) under letters of credit, banker's acceptances or similar credit transactions, (v) for any other Person's obligation or indebtedness of the same type as any of the foregoing, whether as obligor, guarantor or otherwise, (vi) for interest on any of the foregoing, and/or (vii) for any premiums, prepayment or termination fees, expenses or breakage costs due upon prepayment of any of the foregoing.

(k) "Intellectual Property Rights" shall mean, collectively, all United States and non-United States (i) Trademarks, (ii) copyrights, including computer software and Internet web sites, (iii) patents, inventions and discoveries, whether patentable or not, (iv) Trade Secrets, (v) all other intellectual and industrial property not enumerated or described above, and (vi) all registrations and applications therefor, and all reissues, reexaminations, provisionals, divisions, continuations, supplemental protections, renewals, extensions, restorations and reversions thereof.

(l) "Key Products" shall mean all stem and progenitor cell lines that have been researched, studied or manufactured by STEMCELLS Parent since January 1, 2007, consisting of: (i) HuCNS-SC neural stem cells, (ii) human liver engrafting cells or "hLEC" cells (as described in expired U.S. Pat. Nos. 7,211,404 and 8,283,164), and (iii) oligo progenitor cells (as described in U.S. Pat. Application No. 12/646,228).

(m) "Key Products IP Contracts" shall mean the contracts set forth in Section 9.9(m) of the Sellers Disclosure Schedule.

(n) "Knowledge" of the Sellers (and words of similar import such as "to the Sellers' Knowledge") shall mean the knowledge of Ken Stratton, President, General Counsel and Secretary of STEMCELLS Parent ("Stratton"), after reasonable review and due inquiry of Ian Massey, former CEO of STEMCELLS Parent ("Massey"), Ann Tsukamoto, former EVP of Research & Development of STEMCELLS Parent ("Tsukamoto"), and Greg Schiffman, former CFO of STEMCELLS Parent ("Schiffman" and together with Massey and Tsukamoto, the "Former Executives"), with the understanding that solely with respect to Section 2.2, Section 2.11 and Section 2.12, "Knowledge" shall mean the actual knowledge of Stratton, after inquiry of the Former Executives.

(o) "Liability" shall mean, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise and whether or not the same is required to be accrued on the financial statements of such Person.

(p) "Lien" shall mean, with respect to any property or asset (including any security), any mortgage, lien, pledge, charge, security interest, encumbrance or other adverse claim of any kind in respect of such property or asset, but shall not include (i) non-monetary liens and other imperfections of title as do not materially detract from the value or impair the use of the property subject thereto or make such property unmarketable, (ii) non-exclusive licenses of Intellectual Property Rights, and (iii) exclusive licenses of Intellectual Property Rights outside the field of developing any of the Key Products as human therapeutics. For purposes of this Agreement, a Person shall be deemed to own subject to a Lien any property or asset that it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such property or asset.

(q) "Microbot" shall mean Microbot Medical Ltd.

(r) "Microbot Merger" shall mean the proposed change-of-control transaction between STEMCELLS Parent and Microbot, as contemplated by the stockholder proxy materials filed by STEMCELLS Parent with the SEC on September 27, 2016.

(s) "Person" shall mean an individual, a corporation, a limited liability company, a partnership, an association, a trust or any other entity, including a Governmental Authority.

(t) "Regulatory Authority" shall mean any applicable Governmental Authority, domestic or foreign (including the United Kingdom Medicines and Healthcare Products Regulatory Agency), involved in granting approvals for the testing, manufacturing, marketing, reimbursement and/or pricing of a compound or product, and any successor Governmental Authority having substantially the same function.

(u) "SEC" shall mean the Securities and Exchange Commission.

(v) "Seller Material Adverse Effect" shall mean (i) a material adverse effect on the Purchased Assets, taken as a whole; provided that any effect resulting from any of the following shall not be considered when determining whether a Seller Material Adverse Effect shall have occurred: (A) changes in the general market, capital markets, economic, legal, regulatory or political conditions in the United States or any other region outside of the United States (including the commencement, continuation or escalation of a war or material armed hostilities), (B) changes in GAAP, (C) changes or effects that generally affect the industries in which the Sellers operated, so long as such changes or conditions in the industries in which the Sellers operates do not have a materially disproportionate effect on the Purchased Assets, taken as a whole, compared with the assets of other companies operating in such industries, (D) the announcement of this Agreement or the pendency or consummation of the Transactions, including the impact that such execution and announcement and consummation have on the relationships, contractual or otherwise, of Sellers with employees, customers, suppliers or partners and any litigation arising in connection with the transactions contemplated by this Agreement, (E) compliance with the terms of, or the taking of any action required by, this Agreement by Sellers or any action taken by Sellers at the request or direction of BOCO US, and (F) changes or effects that arise out of or are attributable to the commencement, occurrence, continuation or intensification of any war, sabotage, armed hostilities or acts of terrorism; and (ii) any event, change, development, effect, condition circumstance, matter, occurrence or state of facts that prevents or materially delays, or would be reasonably expected to prevent or materially delay, consummation of the Transactions or the performance by the Sellers of any of its material obligations under this Agreement. For the avoidance of any doubt, (i) the destruction of a material portion of the Purchased Cell Banks or any other condition arising before the Closing Date which causes the Purchased Cell Banks to be unusable or (ii) any Seller failing to be Solvent at all times up to and through the Closing of the Transactions will be deemed to be a Seller Material Adverse Effect.

(w) "Solvent" shall mean with respect to any Person that, as of any date of determination, (i) the amount of the Fair Value and Present Fair Saleable Value of the assets of such Person exceeds as of such date its respective Stated Liabilities and other Contingent Liabilities, (ii) such Person will not have, as of such date, an unreasonably small amount of capital for the operation of the business in which such Person is engaged following such date (iii) such Person will have sufficient assets and cash flow to pay its respective Stated Liabilities and other Contingent Liabilities as they mature or otherwise become due, and (iv) such Person does not intend to, and does not believe that it will, incur debts beyond such Person's ability to pay as such debts mature. For purposes of this definition (A) the term, "Fair Value" means the amount at which the assets, in their entirety, of such Person would change hands between a willing buyer and a willing seller, within a commercially reasonable period of time, each having reasonable knowledge of the relevant facts, with neither being under any compulsion to act, (B) the term "Present Fair Saleable Value" means the amount that could be obtained by an independent willing seller from an independent willing buyer if the assets of such Person are sold with reasonable promptness under normal selling conditions in a current market, (C) the term "Stated Liabilities" means all known liabilities and recorded liabilities (including Contingent Liabilities that would be recorded in accordance with GAAP consistently applied) of such Person, and (D) the term "Contingent Liabilities" means the estimated amount of liability reasonably likely to result from pending litigation, asserted claims and assessments, guaranties, uninsured risks and other contingent liabilities of such Person.

(x) "Subsidiary" shall mean, with respect to any specified Person, any other Person of which (or in which) such specified Person will, at the time, directly or indirectly through one or more subsidiaries, (a) own at least 50% of the outstanding capital stock (or other shares of beneficial interest) having ordinary voting power to elect a majority of the board of directors or other similar governing body (irrespective of whether at the time capital stock (or other shares of beneficial interest) of any other class or classes of such Person shall or might have voting power upon the occurrence of any contingency), (b) hold at least 50% of the interests in the capital or profits, (c) hold at least 50% of the beneficial interest (in the case of any such Person that is a trust or estate), or (d) be a general partner (in the case of a partnership) or a managing member (in the case of a limited liability company).

(y) "Trademark" shall mean trademarks, service marks, trade dress, trade names, brand names, domain names and any other indicia of origin or goodwill, together with all registrations and applications for registration thereof and all good will associated therewith.

(z) "Trade Secret" shall mean trade secrets, know-how, inventions (whether patented or patentable), technology, data, data bases, preclinical and clinical study reports, protocols, data and analyses, and all other confidential or proprietary information, including formulae, patterns, compilations, programs, devices, methods, techniques, processes, business methods, drawings, prototypes, models, designs, customer lists, supplier lists, ideas, practices, test results, assays, techniques, specifications, formulations, knowledge, skill, experience, materials and compositions of matter, including pharmaceutical, chemical and biological materials, products, research tools, software programs, algorithms, computational combinatorial medicinal chemistry technologies, scientific, technical, or test data, including pharmacological, biological, chemical, biochemical, toxicological and clinical test data, analytical and quality control data, and stability data, safety data, studies, procedures, plans, diagrams, sketches, documentation, and patent-related and other legal information or descriptions.

(aa) "Transactions" shall mean the transactions contemplated by this Agreement.

Section 9.10. Interpretation. When a reference is made in this Agreement to an Article, a Section, Exhibit, Annex or Schedule, such reference shall be to an Article of, a Section of, or an Exhibit, Annex or Schedule to, this Agreement unless otherwise indicated. All Exhibits, Annexes and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation," unless preceded by the word "not." The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The word "extent" in the phrase "to the extent" means the degree to which a subject or other thing extends, and such phrase does not mean simply "if". All reference to "dollars," "USD" or "$" shall be references to United States dollars. All terms defined in this Agreement shall have the defined meanings when used in any document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. The parties hereto have participated jointly in the negotiation and drafting of this Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

Section 9.11. No Other Warranties. Except as specifically set forth in this Agreement, there are expressly excluded from this Agreement to the fullest extent permitted by Law: (i) all warranties, conditions and other terms implied by Law; and (ii) any term that may otherwise additionally be implied into this Agreement to give it business efficacy or as a result of extrinsic matters such as custom, usage or course of dealing.

Section 9.12. English Language. This Agreement has been negotiated, drafted and entered into by the Parties in English. If this Agreement is translated into another language, the English language text shall in any event prevail.

[*signature page follows*]

IN WITNESS WHEREOF, the parties hereto have caused this Asset Purchase Agreement to be duly executed and delivered as of the date first above written.

STEMCELLS, INC.

By: */s/ Ken Stratton*
Name: Ken Stratton
Title: President

BOCO SILICON VALLEY, INC.

By: */s/ Xiangli Zhou*
Name: Xiangli Zhou
Title: CEO/GM

STEM CELL SCIENCES HOLDINGS LIMITED

By: */s/ Ken Stratton*
Name: Ken Stratton
Title: Director

STEMCELLS CALIFORNIA, INC.

By: */s/ Ken Stratton*
Name: Ken Stratton
Title: Director

ESCROW AGREEMENT

This **ESCROW AGREEMENT** (this "Escrow Agreement") is made and entered into as of November 11, 2016, by and among BOCO Silicon Valley, Inc., a California corporation ("Buyer"), STEMCELLS, INC., a Delaware corporation, ("Seller") under the Asset Purchase Agreement (as defined below), Continental Stock Transfer & Trust Company, a New York corporation, as escrow agent (the "Escrow Agent"), Kenneth B. Stratton in his capacity as representative to the Consultants (as defined herein) ("Consultants' Representative"), and Alpha Capital Anstalt ("Alpha Capital"). Buyer and together with Seller, Consultants' Representative and Alpha Capital are sometimes referred to individually as "Party" and collectively as the "Parties," provided that (a) Consultants' Representative is a Party solely with respect to Sections 3.2 and 4.3, Section 5, Section 6.3, Section 9 and Section 10 and (b) Alpha Capital is a Party solely with respect to Section 3.2, Sections 5.3(a), 10.2(a), 10.4, 10.3, 10.4, 10.5, 10.7, 10.8, 10.9 and 10.10.

WHEREAS, Buyer and Seller are parties to that certain Asset Purchase Agreement, dated as of November 11, 2016, by and among Buyer, Seller, STEM CELL SCIENCES HOLDINGS LIMITED, a private limited company registered in Scotland that is a wholly-owned subsidiary of Seller ("STEMCELLS Holdings"), and STEMCELLS CALIFORNIA, INC., a California corporation that is a wholly-owned subsidiary of STEMCELL Holdings (as such agreement may be amended, restated or otherwise modified from time to time, the "Asset Purchase Agreement").

WHEREAS, Section 1.6(b) of the Asset Purchase Agreement requires Buyer and Seller to enter into this Escrow Agreement;

WHEREAS, pursuant to the terms and conditions of Section 1.6(c) of the Asset Purchase Agreement, on November 10, 2016 ("Funding Date") Buyer has agreed to deliver to the Escrow Agent $3,700,000 (the "Escrow Deposit," and together with any and all interest and other amounts earned thereon from and after the date hereof and as reduced by any disbursements, withdrawals or losses on investments, the "Escrow Funds"), which amount shall be held in a segregated account, to serve as a source of payment of (a) the amounts to Seller pursuant to Section 1.7(d) and Section 8.4(b) of the Asset Purchase Agreement, (b) the amounts to Buyer pursuant to Section 1.7(e) and Section 7.2(b) of the Asset Purchase Agreement, (c) the amounts to the individuals whose consulting agreements are described in Section 2.14 of the Sellers Disclosure Schedule (as defined in the Asset Purchase Agreement) and whose names are set forth in Schedule 1 attached hereto (the "Consultants"), pursuant to Section 1.7(d) and Section 8.4(b) of the Asset Purchase Agreement (the "Consultants' Amounts"), and (d) the amounts, if any, owed to Buyer by Seller pursuant to the payment and indemnification obligations set forth in Article VIII of the Asset Purchase Agreement; and

WHEREAS, Seller and Alpha Capital are parties to that certain Partial Release of Security Interest, dated November 11, 2016, with respect to that certain Security Agreement, dated as of August 15, 2016, by and between Seller and Alpha Capital.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Buyer, Seller, Consultants' Representative, the Escrow Agent and Alpha Capital agree as follows:

Section 1 Capitalized Terms. Each capitalized term which is used but not otherwise defined in this Escrow Agreement has the meaning assigned to such term in the Asset Purchase Agreement; however, the Escrow Agent shall not be responsible for having knowledge of any term not defined within this Escrow Agreement.

Section 2 Appointment of and Acceptance by Escrow Agent. Buyer and Seller hereby appoint and designate the Escrow Agent to acquire and maintain possession of the Escrow Funds under the terms and conditions set forth herein and to act as escrow agent for the purposes set forth herein and under the terms and conditions set forth herein, and the Escrow Agent hereby accepts such appointment and designation under the terms and conditions set forth herein.

Section 3 Receipt of Deposit; Establishment of Escrow; Interest.

3.1 The Escrow Agent shall hold in escrow, invest and disburse the Escrow Funds in accordance with the terms of this Escrow Agreement. On the Funding Date, Buyer will deliver the Escrow Deposit to the Escrow Agent, and the Escrow Agent will acknowledge to Buyer and Seller the Escrow Deposit upon receipt.

3.2 The Escrow Agent shall establish a segregated account in which to hold the investments in which the Escrow Funds (or any portion thereof) may, from time to time, be invested (the "Escrow Account"). The Escrow Agent shall also maintain and make available to Buyer, Seller, Consultants' Representative and Alpha Capital on a monthly basis, an account statement with respect to the Escrow Account in form and substance as customarily provided by the Escrow Agent for escrow accounts for which it acts as escrow agent. The Escrow Agent shall not dispose of the Escrow Funds except as expressly provided for in this Escrow Agreement.

Section 4 Investment of the Escrow Funds.

4.1 During the term of this Escrow Agreement, the Escrow Funds shall be invested in an interest-bearing demand deposit account at JPMorgan Chase Bank, N.A. ("JPMorgan"). Interest-bearing demand deposit accounts have rates of interest or compensation that may vary from time to time as determined by JPMorgan.

4.2 Each Party acknowledges that it was not offered any investment, tax or accounting advice or recommendation by the Escrow Agent with regard to any investment and has made an independent assessment of the suitability and appropriateness of an interest-bearing demand deposit account at JPMorgan. The Escrow Agent shall not have any liability for any loss sustained as a result of the deposit of the Escrow Funds in an interest-bearing demand deposit account at JPMorgan; provided, that such losses shall not have resulted from the gross negligence or willful misconduct of the Escrow Agent. The Escrow Agent shall have the right to withdraw funds from the interest-bearing demand deposit account at JPMorgan in order to provide funds necessary to make required payments under this Escrow Agreement.

4.3 All interest or other income earned under this Escrow Agreement shall be allocated to Seller and the Consultants and reported, by Escrow Agent to the Internal Revenue Service ("IRS"), or any other taxing authority, on IRS Form 1099 or 1042S (or other appropriate form) as income earned from the Escrow Deposit by Seller and the Consultants whether or not said income has been distributed during such year. The Parties hereby represent to Escrow Agent that no other tax reporting of any kind is required given the underlying transaction giving rise to this Escrow Agreement. Consultants' Representative shall provide to the Escrow Agent any tax documentation for Consultants' Representative or any of the Consultants that may be reasonably requested by the Escrow Agent prior to the Closing Date (and from time to time thereafter if the provided tax documentation expires or becomes obsolete).

Section 5 Payments From the Escrow Funds.

5.1 General. Except as otherwise specifically provided herein, the Escrow Agent shall release the Escrow Funds only pursuant to and in accordance with: (a) joint written instructions signed by both Seller and Buyer, (b) a copy of a final and non-appealable award, judgment or order issued by a court of competent jurisdiction adjudicating a dispute with respect to a disputed amount of an indemnification claim, or (c) a copy of a final decision from an arbitrator in proceedings administered by the China International Economic and Trade Arbitration Commission pursuant to Section 9.5 of the Asset Purchase Agreement. All disbursements made pursuant to this Section 5.1 shall be made in accordance with the provisions set forth in Section 5.5 hereto.

5.2 Release to Buyer for Indemnification Claims.

(a) Each time a BOCO Indemnified Party seeks recovery from the Escrow Funds on or prior to the Escrow Termination Date (as defined below) for a claim under Article VIII of the Asset Purchase Agreement (an " Indemnification Claim"), such BOCO Indemnified Party shall deliver a Claim Notice (as defined below) to Seller. "Claim Notice" shall mean a written claim notice by a BOCO Indemnified Party to Seller making a claim for indemnification against Losses in respect of a claim for indemnification pursuant to Section 8.2 of the Asset Purchase Agreement in compliance with Article VIII of the Asset Purchase Agreement, which claim notice sets forth (i) a description, in reasonable detail, of the facts and circumstances by reason of which such claim is being made, to the extent then known to the BOCO Indemnified Party, and (ii) the amount of the claim for which a BOCO Indemnified Party is seeking indemnification (the "Claimed Amount").

(b) Within thirty (30) calendar days after receipt by Seller and the Escrow Agent of a Claim Notice (the " Response Period"), Seller shall deliver to the BOCO Indemnified Party and to the Escrow Agent a written response (the "Response Notice") in which Seller shall instruct the Escrow Agent either (i) to release Escrow Funds in the full amount of the Claimed Amount to the BOCO Indemnified Party from the Escrow Account, (ii) to release Escrow Funds equal to part, but not all, of the Claimed Amount (the "Agreed Amount") to BOCO Indemnified Party from the Escrow Account or (iii) to release no part of the Escrow Funds from the Escrow Account to BOCO Indemnified Party in respect of the Claimed Amount. The Claimed Amount (or any part thereof) that the Escrow Agent is instructed in the Response Notice not to release to BOCO Indemnified Party is herein referred to as the "Contested Amount."

(c) If Seller delivers a Response Notice instructing the Escrow Agent to release only the Agreed Amount to BOCO Indemnified Party, then the Escrow Agent shall, promptly following the receipt of such Response Notice, and in any event within three (3) Business Days of receipt and confirmation pursuant to Section 8 hereto, pay to BOCO Indemnified Party or its designee an amount equal to the Agreed Amount from the Escrow Account.

(d) If Seller (i) fails to deliver a Response Notice, or otherwise fails to deliver instructions in a Response Notice with respect to any Claimed Amount, within the Response Period, in which case all of the Claimed Amount shall constitute a Contested Amount, or (ii) delivers a Response Notice stating that all or any portion of the Claimed Amount constitutes a Contested Amount, then the BOCO Indemnified Party shall either (i) agree that the Contested Amount is not required to be paid from the Escrow Funds, in which case such amount shall no longer be considered a Contested Amount for any purpose under this Agreement or (ii) initiate the dispute resolution proceedings set forth in Section 9.5 of the Asset Purchase Agreement.

(e) The Escrow Agent shall only release and deliver any portion of a Contested Amount to BOCO Indemnified Party in accordance with (i) joint written instructions signed by both Buyer and Seller or (ii) a final decision from an arbitrator in proceedings administered by the China International Economic and Trade Arbitration Commission pursuant to Section 9.5 of the Asset Purchase Agreement which identifies all or a portion of the Contested Amount as being owed to the BOCO Indemnified Party. The Escrow Agent shall be entitled to conclusively rely on the opinion of counsel that the arbitration award is final and binding pursuant to Section 9.5 of the Asset Purchase Agreement. Upon receipt of such joint written instruction or such final arbitration award, as the case may be, the Escrow Agent shall pay to such BOCO Indemnified Party promptly, and in any event within three (3) Business Days of receipt and confirmation pursuant to Section 5 hereto, an amount from the Escrow Funds equal to the lesser of (x) the amount required to be paid to the BOCO Indemnified Party in accordance with the joint written instructions or final arbitration decision and (y) the remaining amount of the Escrow Funds. In the event that Seller is the prevailing party in whole or in part in connection with any such dispute, the portion of the Escrow Funds that was not released to any BOCO Indemnified Party pursuant to this Section 5.2(e) shall no longer be considered a Contested Amount for any purpose under this Agreement and shall remain in the Escrow Account until released as provided pursuant to Section 5.3.

5.3 Release at Closing; Final Release.

(a) At least three Business Days prior to the Closing Date, Buyer, Seller and Alpha Capital shall execute and provide to the Escrow Agent duly executed joint written instructions in the form attached hereto as Schedule 2 (the "Closing Release Instructions"). Following the receipt of the Closing Release Instructions, the Escrow Agent shall, on the Closing Date, deliver to Seller and the Consultants as a whole, as further specified in the Closing Payment Instructions, 85% and 15%, respectively, of the Closing Purchase Price, which shall equal (i) $3,300,000 if the Closing Date is December 1, 2016 or prior thereto or (ii) $3,200,000 if the Closing Date is after December 1, 2016. All disbursements made pursuant to this Section 5.3(a) shall be made in accordance with the provisions set forth in Section 5.5 hereto.

(b) On the first Business Day following the first anniversary of the Closing Date (the "Escrow Termination Date"), the Escrow Agent shall deliver to Seller and the Consultants as a whole, 85% and 15%, respectively, of the amount of all of the then remaining Escrow Funds in the Escrow Account less the aggregate amount of all Unresolved Claims (as defined below), with the 15% of the amount of such Escrow Funds distributed by the Escrow Agent to the Consultants in accordance with Schedule 3 hereto (the "Consultants' Distribution Allocation"). All disbursements made pursuant to this Section 5.3(b) shall be made in accordance with the provisions set forth in Section 5.5 hereto.

(c) If, on or prior to 11:59 PM (New York time) on the day immediately preceding the Escrow Termination Date, a BOCO Indemnified Party has delivered a Claim Notice that has not been resolved as of the Escrow Termination Date in accordance with Article VIII and Section 9.5 of the Asset Purchase Agreement (each, an "Unresolved Claim"), then the Escrow Agent shall retain in the Escrow Account an amount of Escrow Funds equal to the aggregate amount of the Claimed Amounts for all Unresolved Claims for which the BOCO Indemnified Parties are seeking indemnification until such Unresolved Claims have been resolved in accordance with Article VIII and Section 9.5 of the Asset Purchase Agreement. Following the resolution of each Unresolved Claim in accordance with Article VIII and Section 9.5 of the Asset Purchase Agreement, the Escrow Agent shall be instructed to release and deliver from the Escrow Account to Seller and the Consultants as a whole, 85% and 15%, respectively, of the amount of Escrow Funds equal to the excess, if any, of (i) the amount then remaining in the Escrow Account over (ii) the aggregate amount of the Claimed Amounts for all Unresolved Claims that remain outstanding following the resolution of such Unresolved Claim, with the 15% of the amount of such Escrow Funds distributed to the Consultants by the Escrow Agent in accordance with the Consultants' Distribution Allocation. When all Unresolved Claims have been resolved in accordance with Article VIII and Section 9.5 of the Asset Purchase Agreement, the Escrow Agent shall release and deliver from the Escrow Account to Seller and the Consultants as a whole, 85% and 15%, respectively, of the amount of all of the then remaining Escrow Funds which had been retained with respect to such Unresolved Claims and not applied in payment thereof, with the 15% of the amount of such Escrow Funds distributed to the Consultants by the Escrow Agent in accordance with the Consultants' Distribution Allocation. All disbursements made pursuant to this Section 5.3(c) shall be made in accordance with the provisions set forth in Section 5.5 hereto.

5.4 Release to Buyer.

(a) If the Closing has not occurred in accordance with the Asset Purchase Agreement on or before December 1, 2016 and Buyer has notified the Escrow Agent and Seller of such event, then on the 10th day following such notice, the Escrow Agent shall deliver to Buyer an amount equal to $100,000 from the Escrow Account pursuant to Section 1.7(d) of the Asset Purchase Agreement, unless Seller shall have, in good faith, disputed in writing to the Escrow Agent and Buyer during the 10-day period after receipt of notice from Buyer regarding the failure of the Closing to occur on or before December 1, 2016. If Seller does submit such a dispute in writing prior to the end of such 10-day period, Buyer shall either (i) agree that such amount is not required to be paid to Buyer pursuant to this Escrow Agreement or (B) initiate the dispute resolution proceedings set forth in Section 9.5 of the Asset Purchase Agreement.

(b) If the Asset Purchase Agreement is terminated pursuant to Section 7.1 of the Asset Purchase Agreement and Buyer has notified the Escrow Agent and Seller of such event, then on the 10th day following such notice, the Escrow Agent shall deliver to Buyer all of the then remaining funds in the Escrow Account pursuant to Section 7.2(b) of the Asset Purchase Agreement, unless Seller shall have, in good faith, disputed in writing to the Escrow Agent and Buyer during the 10-day period after receipt of notice from Buyer regarding the termination of the Asset Purchase Agreement. If Seller does submit such a dispute in writing prior to the end of such 10-day period, Buyer shall either (A) agree that such remaining funds are not required to be paid to Buyer pursuant to this Escrow Agreement or (B) initiate the dispute resolution proceedings set forth in Section 9.5 of the Asset Purchase Agreement.

5.5 Payment to be Made in Immediately Available Funds. Any payments required to be made to Buyer or its designee pursuant to this Section 5 shall be made by wire transfer of immediately available funds to an account designated by Buyer in writing to the Escrow Agent. Any payments required to be made to Seller or its designee pursuant to this Section 5 shall be made by wire transfer of immediately available funds to an account designated by Seller in writing to the Escrow Agent. Any payments required to be made to a Consultant or his or her respective designee pursuant to this Section 5 shall be made, at the discretion of Consultants' Representative, (i) by wire transfer of immediately available funds to an account designated by Consultants' Representative in writing to the Escrow Agent or (ii) by check payable to the name, and mailed by the Escrow Agent via a nationally recognized overnight courier service to the address, in each case designated by Consultants' Representative in writing to the Escrow Agent.

Section 6 Liability and Duties of the Escrow Agent.

6.1 The Escrow Agent's responsibilities, duties and obligations under this Escrow Agreement shall be determined solely by the express provisions of this Escrow Agreement which shall be deemed purely ministerial in nature, and no other duties shall be implied, and the Escrow Agent shall not pay the Escrow Funds, or any portion thereof, except in accordance with the terms of this Escrow Agreement. The Escrow Agent shall be under no obligation to refer to any documents other than this Escrow Agreement and the instructions and requests delivered to the Escrow Agent hereunder. The Escrow Agent shall not be obligated to recognize, and shall not have any liability or responsibility arising under, any agreement to which the Escrow Agent is not a party, even though reference thereto may be made herein. The Escrow Agent shall neither be responsible for, nor chargeable with, knowledge of, nor have any requirements to comply with, the terms and conditions of any other agreement, instrument or document, other than this Escrow Agreement, between or among Buyer and Seller in connection herewith, if any, including, without limitation, the Asset Purchase Agreement, nor shall the Escrow Agent be required to determine if any person has complied with any such agreements, nor shall any additional obligations of the Escrow Agent be inferred from the terms of such agreements, even though reference thereto may be made in this Escrow Agreement. In the event of any conflict between the terms and provisions of this Escrow Agreement relating to the rights or obligations of the Escrow Agent, those of the Asset Purchase Agreement, any schedule or exhibit attached to the Asset Purchase Agreement or any other agreement among Buyer and Seller, the terms and conditions of this Escrow Agreement shall prevail. The Escrow Agent shall have no duty to solicit any payments which may be due it or the Escrow Account, nor shall the Escrow Agent have any duty or obligation to make any formulaic calculations of any kind hereunder.

6.2 The Escrow Agent, including its officers, directors, employees and agents, shall not be liable to anyone whomsoever by reason of any error of judgment or for any act done or step taken or omitted by the Escrow Agent, or for any mistake of fact or law or anything which the Escrow Agent may do or refrain from doing in connection herewith, in good faith, unless caused by or arising out of the Escrow Agent's (or any of its directors, officers, agents or employees) gross negligence, fraud or willful misconduct. The Escrow Agent may consult with counsel of its own choice and shall have full and complete authorization and protection for any action taken or suffered by the Escrow Agent hereunder in accordance with the opinion of such counsel. Buyer and Seller shall jointly and severally indemnify and hold the Escrow Agent and its affiliates and their respective successors, assigns, directors, agents and employees (collectively, the "Indemnitees") from and against any and all actual and direct losses, damages, claims, liabilities, penalties, judgments, settlements, litigation, investigations, costs or expenses (including, without limitation, the reasonable fees and expenses of outside counsel) (collectively "Damages") to the extent arising out of (a) the Escrow Agent's (i) performance of this Escrow Agreement in compliance with the terms hereof, (ii) tax reporting or withholding in respect of all amounts held in the Escrow Account, or (iii) enforcement of any rights or remedies under or in connection with this Escrow Agreement, in each case of clause (i), (ii) or (iii), except to the extent that such Damages are finally adjudicated by a court of competent jurisdiction to have been primarily caused by the gross negligence, fraud or willful misconduct of any Indemnitee, or (b) the Escrow Agent's following any joint written instructions or other joint written directions from Buyer and Seller, except to the extent that its following any such instruction or direction is expressly forbidden by the terms hereof. Such indemnification shall survive the Escrow Agent's resignation or removal, or the termination of this Escrow Agreement. For the avoidance of doubt, Consultants' Representative, shall not have any obligation under this Escrow Agreement to indemnify the Escrow Agent or any other Indemnitee for any Damage.

6.3 This Escrow Agreement is a personal one, the Escrow Agent's duties hereunder being only to Buyer, Seller, Consultants' Representative and the Consultants, and their respective successors and permitted assigns, and to no other person whomsoever.

6.4 The Escrow Agent may rely or act upon joint written instructions bearing a signature or signatures properly believed by the Escrow Agent to be genuine of Buyer and Seller.

6.5 In case any property held by the Escrow Agent shall be attached, garnished or levied upon under a court order, or the delivery thereof shall be stayed or enjoined by a court order, or any writ, order, judgment or decree shall be made or entered by any court, or any order, judgment or decree shall be made or entered by any court affecting the property deposited under this Escrow Agreement or any part thereof, the Escrow Agent is hereby expressly authorized, in its sole discretion, to obey and comply with all writs, orders, judgments or decrees so entered or issued, whether with or without jurisdiction, and in case the Escrow Agent obeys or complies with any such writ, order, judgment or decree, the Escrow Agent shall not be liable to Buyer or Seller or to any other person by reason of such compliance in connection with such litigation.

6.6 The Escrow Agent reserves the right to resign at any time by giving written notice of resignation to Buyer and Seller specifying the effective date thereof. Within thirty (30) days after receiving such notice, Buyer and Seller jointly shall appoint a successor escrow agent to which the Escrow Agent shall distribute the property then held under this Escrow Agreement, less the Escrow Agent's fees, costs and expenses, whereupon the Escrow Agent shall upon such distribution to a successor escrow agent, be discharged of and from any and all further obligations arising in connection with this Escrow Agreement, except for such liability and expenses which results from the Escrow Agent's fraud, gross negligence or willful misconduct. If a successor escrow agent has not been appointed or has not accepted such appointment by the end of such thirty-day period, the Escrow Agent may apply to a court of competent jurisdiction for the appointment of a successor escrow agent, and the costs, expenses and reasonable attorneys' fees which are incurred in connection with such proceeding shall be paid one-half by Buyer and one-half by Seller. Until a successor escrow agent has accepted such appointment and the Escrow Agent has transferred the Escrow Funds to such successor escrow agent, the Escrow Agent shall continue to retain and safeguard the Escrow Funds until receipt of a joint written instruction signed by both Buyer and Seller.

6.7 In the event of any disagreement between Buyer and Seller resulting in adverse claims or demands being made in connection with the Escrow Funds or in the event that the Escrow Agent is in doubt as to what action it should take hereunder, the Escrow Agent shall be permitted to refrain from taking any action and its sole obligation shall be to keep safely all property held in escrow.

6.8 The Escrow Agent does not have any interest in the Escrow Funds but is serving as escrow holder only and has only possession thereof. If any payments of income from the Escrow Funds shall be subject to withholding regulations then in force with respect to United States taxes, Buyer and Seller agree to provide the Escrow Agent with appropriate forms for or with respect to such withholding. This Section 6.8, Section 6.1 and Section 7 shall survive notwithstanding any termination of this Escrow Agreement or the Escrow Agent's resignation.

6.9 Seller, Buyer and Consultants' Representative have provided the Escrow Agent with their respective fully executed IRS Form W-8, or W-9, and/or other required documentation requested by the Escrow Agent prior to the date hereof. The Parties each represent that its correct TIN assigned by the IRS, or any other taxing authority, is set forth in the delivered forms.

Section 7 Compensation of the Escrow Agent. The Escrow Agent shall be entitled to fees in accordance with the fee schedule attached hereto as Schedule 4. Buyer and Seller agree the "Base Fee' (as defined in Schedule 4) shall be paid by that one-half of Buyer and one-half by Seller. Buyer and Seller agree the "Variable Fee' (as defined in Schedule 4) shall be paid solely by Seller. Buyer and Seller shall also pay or reimburse the Escrow Agent upon request for all expenses, disbursements and advances, including, without limitation reasonable attorney's fees and expenses, incurred or made by it following the date of this Escrow Agreement in connection with the performance, modification and termination of this Escrow Agreement, which Buyer and Seller agree shall be paid one-half by Buyer and one-half by Seller, except for any such expenses incurred solely in connection with the disbursement of the Consultants' Amounts, which shall be paid entirely by Seller. For the avoidance of doubt, Consultants' Representative shall not have any obligation under this Escrow Agreement to pay or reimburse the Escrow Agent any fee, expense, disbursement, advancement or other amount.

Section 8 Funds Transfer Agreement. Any instructions setting forth, claiming, containing, objecting to, or in any way related to the transfer or distribution of funds, including but not limited to any such funds transfer instructions that may otherwise be set forth in a written instruction permitted pursuant to Section 5 of this Escrow Agreement, may, unless such requirement is waived by the Escrow Agent, be given to the Escrow Agent only by PDF attached to an email, nationally recognized courier service, facsimile and no instruction for or related to the transfer or distribution of the Escrow Funds, or any portion thereof, shall, unless such requirement is waived by the Escrow Agent, be deemed delivered and effective unless the Escrow Agent actually shall have received such instruction by facsimile at the number provided to the Parties by the Escrow Agent in accordance with Section 9. In the event funds transfer instructions are given (other than in writing at the time of the execution of this Escrow Agreement) by PDF attached to an email, nationally recognized courier service or facsimile, the Escrow Agent is authorized to seek confirmation of such instructions by telephone call-back to the person or persons designated on Schedule 5 hereto, and the Escrow Agent may rely upon the confirmations of anyone purporting to be the person or persons so designated. Each funds transfer instruction shall be executed by an authorized signatory; a list of such authorized signatories is set forth on Schedule 5. The undersigned is authorized to certify that the signatories on Schedule 5 are authorized signatories. The persons and telephone numbers for call-backs may be changed only in writing actually received and acknowledged by the Escrow Agent. The Parties hereto acknowledge that such security procedure is commercially reasonable. It is understood that the Escrow Agent and the beneficiary's bank in any funds transfer may rely solely upon any account numbers or similar identifying number provided by any party hereto to identify (a) the beneficiary, (b) the beneficiary's bank or (c) an intermediary bank. The Escrow Agent may apply funds for any payment order it executes using any such identifying number, even where its use may result in a person other than the beneficiary being paid, or the transfer of funds to a bank other than the beneficiary's bank, or an intermediary bank, so designated.

Section 9 Notices. Except for communications from Buyer, Seller or Consultants' Representative setting forth, claiming, containing, objecting to, or in any way related to the transfer or distribution of funds, including but not limited to funds transfer instructions (all of which shall be specifically governed by Section 8 of this Escrow Agreement), all notices, demands or other communications to be given or delivered under or by reason of the provisions of this Escrow Agreement will be in writing and will be deemed to have been given upon delivery, when delivered personally, mailed by certified or registered mail, return receipt requested and postage prepaid, or sent via a nationally recognized overnight courier, or sent via facsimile, to the recipient with telephonic confirmation by the sending party. Such notices, demands and other communications will be sent to the address indicated below:

If to Buyer:
BOCO SILICON VALLEY, INC.
43152 Nielson Court
Fremont, CA 94539
Attention:Shirley Zhou

with a copy (which shall not constitute notice) to:

Dentons US LLP
1221 Avenue of the Americas
New York, New York 10020-1089
Attention:Peter Su, Esq.,
Ilan Katz, Esq.

If to Seller:
STEMCELLS, INC.
39899 Balentine Drive, Suite 200
Newark, CA 94560
Attention:Kenneth Stratton
Email:ken.stratton@stemcellsinc.com
Tel.:(650) 670-2282

with a copy (which shall not constitute notice) to:
Ropes & Gray LLP
36F, Park Place
1601 Nanjing Road West
Shanghai 200040, PRC
Attention: Arthur Mok, Esq.

If to the Escrow Agent:
Continental Stock Transfer & Trust Company
17 Battery Place, 8th Floor
New York, NY 10004
Attention: Accounting Department, Escrow Administration
Email Address: scarter@continentalstock.com

If to Consultants' Representative:
Mr. Kenneth B. Stratton
774 Knoll Dr.
San Carlos, CA 94070
Email; Ken_Stratton@sbcglobal.net
Tel.: (650) 670-2282

Any party may change the address to which notices are to be delivered by giving the other Parties notice in the manner provided in this Section 9.

Section 10 Miscellaneous.

10.1 Instructions by Buyer, Seller and Consultants' Representative. Any instructions or notice delivered by Buyer, Seller and/or Consultants' Representative pursuant to this Escrow Agreement shall only be valid if signed by a person listed on Schedule 5 under the heading of Buyer, Seller or Consultants' Representative, as applicable.

10.2 Entire Agreement; Assignment.

(a) This Escrow Agreement and, in regards to the Parties to this Escrow Agreement other than the Escrow Agent, the agreements and documents referred to herein, contain the entire agreement and understanding among the Parties with respect to the subject matter hereof and supersede all prior agreements and understandings, whether written or oral, relating to such subject matter in any way. In regards to the Escrow Agent, this Escrow Agreement contains the entire agreement and understanding among the Parties with respect to the subject matter hereof.

(b) Except as otherwise expressly set forth in this Escrow Agreement, this Escrow Agreement may not be assigned by any party (whether by operation of law or otherwise) without the prior written consent of Buyer, Seller, Consultants' Representative and the Escrow Agent (which consent shall not be unreasonably withheld or delayed); provided, however, that Buyer or Seller may assign any of its rights under this Escrow Agreement to one or more of its Affiliates or to any third party by sale of stock or operation of law in connection with a *bona fide* third party merger or sale of substantially all of such Party's assets to such third party, provided that any such assignment shall not relieve such Party of any of its obligations hereunder; and provided, further, that the documentation of any successor or permitted assignee required in accordance with the Patriot Act (defined below) must be provided to the Escrow Agent prior to any such assignment becoming effective. Any attempted assignment of this Escrow Agreement not in accordance with the terms of this Section 10.2 shall be void. Any banking association or corporation into which the Escrow Agent (or substantially all of its escrow business) may be merged, converted or with which the Escrow Agent may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any banking association or corporation to which all or substantially all of the escrow business of the Escrow Agent shall be sold or otherwise transferred, shall succeed to all the Escrow Agent's rights, obligations and immunities hereunder without the execution or filing of any paper or any further act on the part of any of the Parties, anything herein to the contrary notwithstanding.

10.3 Governing Law. This Escrow Agreement, and all claims or causes of action (whether in contract or tort) that may be based upon, arise out of or relate to this Escrow Agreement, or the negotiation, execution or performance of this Escrow Agreement (including any claim or cause of action based upon, arising out of or related to any representation or warranty made in or in connection with this Escrow Agreement or as an inducement to enter into this Escrow Agreement), shall be governed by the internal laws of the State of New York as applicable to agreements made and to be performed entirely within the State of New York, without regard to conflict of law principles or rules.

10.4 Fees and Expenses. Except as otherwise expressly set forth in this Escrow Agreement, all fees and expenses incurred in connection with this Escrow Agreement, including, without limitation, the fees and disbursements of counsel, financial advisors and accountants, shall be paid by the Party incurring such fees or expenses; provided, however, that the Escrow Agent may impose, charge or pass-through any fees or charges for accounts incurred by it in the performance of its duties under this Escrow Agreement, including those levied by any governmental authority, which Buyer and Seller agree shall be paid one-half by Buyer and one-half by Seller.

10.5 Construction; Interpretation. The term "this Escrow Agreement" means this Escrow Agreement together with all schedules, exhibits and annexes hereto, as the same may from time to time be amended, modified, supplemented or restated in accordance with the terms hereof. The headings contained in this Escrow Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Escrow Agreement. No Party, nor its respective counsel, shall be deemed the drafter of this Escrow Agreement for purposes of construing the provisions hereof, and all provisions of this Escrow Agreement shall be construed according to their fair meaning and not strictly for or against any party hereto. Unless otherwise indicated to the contrary herein by the context or use thereof: (i) the words, "herein," "hereto," "hereof" and words of similar import refer to this Escrow Agreement as a whole, including, without limitation, the schedules, exhibits and annexes, and not to any particular section, subsection, paragraph, subparagraph or clause contained in this Escrow Agreement; (ii) masculine gender shall also include the feminine and neutral genders, and vice versa; and (iii) words importing the singular shall also include the plural, and vice versa.

10.6 Parties in Interest. This Escrow Agreement shall be binding upon and inure solely to the benefit of the Parties and their respective successors and permitted assigns and nothing in this Escrow Agreement, express or implied, is intend to or shall confer upon any other Person any rights, benefits or remedies of any nature whatsoever under or by reason of this Escrow Agreement.

10.7 Severability. If any provision of this Escrow Agreement for any reason shall be held to be illegal, invalid or unenforceable, such illegality shall not affect any other provision of this Escrow Agreement, this Escrow Agreement shall be amended so as to enforce the illegal, invalid or unenforceable provision to the maximum extent permitted by applicable Law, and the Parties shall cooperate in good faith to further modify this Escrow Agreement so as to preserve to the maximum extent possible the intended benefits to be received by the Parties.

10.8 Counterparts; Facsimile Signatures. This Escrow Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Escrow Agreement by facsimile or scanned pages shall be effective as delivery of a manually executed counterpart to this Escrow Agreement.

10.9 Waiver of Jury Trial. Each party hereto hereby waives, to the fullest extent permitted by law, any right to trial by jury of any claim, demand, action, or cause of action (a) arising under this Escrow Agreement or (b) in any way connected with or related or incidental to the dealings of the Parties in respect of this Escrow Agreement or any of the transactions related hereto, in each case, whether now existing or hereafter arising, and whether in contract, tort, equity, or otherwise. Each party hereto hereby further agrees and consents that any such claim, demand, action, or cause of action shall be decided by court trial without a jury and that the Parties hereto may file a copy of this Escrow Agreement with any court as written evidence of the consent of the Parties to the waiver of their right to trial by jury. To the extent that in any jurisdiction either party may now or hereafter be entitled to claim for itself or its assets, immunity from suit, execution attachment (before or after judgment), or other legal process, such party shall not claim, and it hereby irrevocably waives, such immunity.

10.10 Jurisdiction and Venue. Each of the Parties (a) submits to the exclusive jurisdiction of any state or federal court sitting in New York, in any action or proceeding (whether in contract or tort) arising out of or relating to this Escrow Agreement, or the negotiation, execution or performance of this Escrow Agreement (including any claim or cause of action based upon, arising out of or related to any representation or warranty made in or in connection with this Escrow Agreement or as an inducement to enter into this Escrow Agreement), (b) agrees that all such claims in respect of such action or proceeding shall be heard and determined in any such court and (c) agrees not to bring any such action or proceeding in any other court. Each of the Parties waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety or other security that might be required of any other Parties with respect thereto. Each of the Parties agrees that service of summons and complaint or any other process that might be served in any action or proceeding may be made on such party by sending or delivering a copy of the process to the party to be served at the address of the party and in the manner provided for the giving of notices in Section 9. Nothing in this Section 10.10, however, shall affect the right of any party hereto to serve legal process in any other manner permitted by Law. Each party hereto agrees that a final, non-appealable judgment in any action or proceeding so brought shall be conclusive and may be enforced by suit on the judgment or in any other manner provided by Law. Buyer and Seller agree to pursue any redress or recourse in connection with any dispute that is solely and exclusively among themselves (and/or any third party) without making the Escrow Agent a party to the same. To the extent that in any jurisdiction any of the Parties may now or hereafter be entitled to claim for itself or its assets, immunity from suit, execution attachment (before or after judgment), or other legal process, such party shall not claim, and it hereby irrevocably waives, such immunity.

10.11 Amendment. This Escrow Agreement may not be amended or modified, except by a written instrument executed by Buyer, Seller, Consultants' Representative (solely with respect to provisions that may affect the rights or obligations of the Consultants hereunder), and the Escrow Agent.

10.12 Termination. This Escrow Agreement shall remain in effect unless and until (a) the Escrow Funds and any interest or other amounts earned thereon are distributed in full or (b) it is terminated in a written instrument executed by Buyer, Seller and Consultants' Representative, in which event, termination shall take effect no later than ten (10) Business Days after notice to the Escrow Agent of such termination. Termination of this Escrow Agreement shall not impair the obligations of Buyer and Seller set forth in Section 6.1, Section 6.2, Section 6.8 and Section 7 of this Escrow Agreement accruing prior to such termination, which obligations shall survive such termination.

10.13 Limited Liability. IN NO EVENT SHALL THE ESCROW AGENT, BE LIABLE, DIRECTLY OR INDIRECTLY, FOR ANY SPECIAL, INCIDENTAL, PUNITIVE, INDIRECT OR CONSEQUENTIAL LOSSES OR DAMAGES OF ANY KIND WHATSOEVER (INCLUDING BUT NOT LIMITED TO LOST PROFITS), EVEN IF THE ESCROW AGENT, HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSSES OR DAMAGES AND REGARDLESS OF THE FORM OF ACTION.

10.14 Force Majeure. Notwithstanding any other provision of this Escrow Agreement, the Escrow Agent shall not be obligated to perform any obligation hereunder and shall not incur any liability for the nonperformance of any obligation hereunder to the extent that the Escrow Agent is delayed in performing, or unable to perform, such obligation because of acts of God, war, terrorism, fire, floods, strikes, electrical outages, equipment or transmission failures, or other causes reasonably beyond its control.

10.15 Patriot Act Disclosure. Section 326 of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("USA PATRIOT Act") requires Escrow Agent to implement reasonable procedures to verify the identity of any person that opens a new account with it. Accordingly, each of Buyer and Seller acknowledges that Section 326 of the USA PATRIOT Act and Escrow Agent's identity verification procedures require Escrow Agent to obtain information which may be used to confirm such party's identity including without limitation name, address and organizational documents ("identifying information"). Each of Buyer and Seller agrees to provide Escrow Agent with and consent to Escrow Agent obtaining from third parties any such identifying information required as a condition of opening an account with or using any service provided by the Escrow Agent.

10.16 Consultants' Representative. Consultants' Representative may from time to time designate a successor to act as Consultants' Representative by delivering a written notice to the Escrow Agent, which successor shall be one of the Consultants and subject to the written approval of Buyer, Seller and the Escrow Agreement, which approval shall not be unreasonably withheld or delayed. Consultants' Representative may resign at any time, provided that he or she designates a successor in accordance with the preceding sentence. In the event that Consultant's Representative becomes incapacitated and has not designated a successor in accordance with the first sentence of this Section 10.16, Ian Massey shall be designated as Consultants' Representative.

* * * *

IN WITNESS WHEREOF, the Parties have executed this Escrow Agreement on the day and year first above written.

BOCO SILICON VALLEY, INC.

By: */s/ Xiangli Zhou*
Name: Xiangli Zhou
Title: CEO/GM

STEMCELLS, INC.

By: */s/ Ken Stratton*
Name: Ken Stratton
Title: President

CONTINENTAL STOCK TRANSFER & TRUST COMPANY

By: */s/*
Name:
Title:

KENNETH B. STRATTON
in his capacity as representative to the Consultants

By: */s/ Kenneth Stratton*

ALPHA CAPITAL ANSTALT
solely with respect to Section 5.3(a)

By: */s/*
Name:
Title:

SCHEDULE 2
Closing Release Instructions

November 11, 2016

Continental Stock Transfer & Trust Company
17 Battery Place, 8th Floor
New York, NY 10004
Attention: Accounting Department, Escrow Administration
Email Address: scarter@continentalstock.com

Re: Release Instructions / Escrow Account no.

Dear Sir/Madam:

We refer to the Escrow Agreement, made and entered into as of November 11, 2016, by and among BOCO Silicon Valley, Inc., StemCells, Inc. (" Seller"), Continental Stock Transfer & Trust Company, Kenneth B. Stratton in his capacity as representative to the Consultants, and Alpha Capital Anstalt. Capitalized terms used but not defined in this letter shall have the meaning as used in the Escrow Agreement.

In accordance with Section 5.3(a) of the Escrow Agreement, we hereby request you to release the Escrow Funds from the Escrow Account on date of the Closing Date (the "Closing Date") as follows:

1. To Seller:

    a. Amount to Seller:

    b. To the bank account identified by the following information:

        i. Bank name

        ii. Bank address

        iii. SWIFT

        iv. Other bank reference number as necessary

        v. Correspondent banking details (if any)

        vi. Account number

        vii. Beneficiary name

        viii. Beneficiary address

2. To the Consultants:

a. Total Amount to the Consultants:

b. The Escrow Agent shall mail via a nationally recognized overnight courier service to each Consultant a check in the dollar amount and to the address, in each case, set forth opposite the name of each such Consultant in the following table:

Name of Consultant	If the Closing Date is December 1, 2016 or prior thereto	If the Closing Date is after December 1, 2016	Address
Total			

IN WITNESS WHEREOF, the undersigned have executed these Closing Release Instructions on the day and year first above written.

BOCO SILICON VALLEY, INC.

By: _____
Name:
Title:

STEMCELLS, INC.

By: _____
Name:
Title:

ALPHA CAPITAL ANSTALT

By: _____
Name:
Title:

SCHEDULE 4
Fees

The base fee shall be $400 per month (the "Base Fee").

Each time a distribution is made to a Consultant, the Escrow Agent shall charge an administration fee of $50.00 per payment (the "Variable Fee"). For example if an aggregate amount of $495,000 is paid at the Closing to 16 Consultants, a Variable Fee of $800 will be paid to the Escrow Agent for such payments.

SCHEDULE 5

Telephone Number(s) for Call-backs and
Person(s) Designated to Give and Confirm Funds Transfer and Other Instructions

If to Buyer:

	Name	Telephone Number	Signature
1.	Shirley Zhou		
2.			

If to Seller:

1.	Kenneth Stratton	(650) 670-2282	
2.	George Koshy		
3.			
4.			

If to Consultants' Representative:

1.	Kenneth Stratton	(650) 670-2282	
2.	Ian Massey		
3.			
4.			

All funds transfer instructions must include the signature of the person(s) authorizing said funds transfer.

CONTRACT RESEARCH AGREEMENT

This Contract Research Agreement is entered into as of this __ day of _____, 2017 (the "Effective Date"), by and between The Washington University, a corporation established by special act of the Missouri General Assembly approved February 22, 1853 and acts amendatory thereto, having its principal offices at One Brookings Drive, St. Louis, Missouri 63130 ("University") and Microbot Medical Ltd., a company formed under the laws of Israel, with offices at 5 Hamada Street, Yokneam, Israel (the "Company").

WHEREAS, in the course of their research at University, Drs. James P. (Pat) McAllister II and David D. Limbrick, Jr (hereinafter "the Principal Investigators") have developed a method for making Models (as defined below); and

WHEREAS, the Company wishes to have the Principal Investigators and other members of their research teams at University perform certain services, from time to time, for the Company using the Model (as further defined below, the "Services"); and

WHEREAS, University is willing to perform the Services under the supervision of the Principal Investigators, in accordance with the Workplan (as defined below), all in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Definitions.

Whenever used in this Agreement with an initial capital letter, the terms defined in this Section 1, whether used in the singular or the plural, shall have the meanings specified below.

1.1. "Company Device" shall mean the Company's proprietary device described in Exhibit A hereto, and any improvements, modifications and derivatives thereof.

1.2. "Company Device Results" shall mean Service Results resulting from experiments using shunts containing the Company Device.

1.3 "Joint Inventions" shall mean any and all patentable inventions, other than Model Improvements, obtained or arrived at in the performance of the Services for which (a) one or more inventor(s) is a member of the University Team and (b) one or more inventor(s) is an employee or consultant of Company.

1.4. "Model" shall mean any animal model in which hydrocephalus has been induced experimentally by the University Team. Most likely these will include pigs, sheep or ferrets at any age.

1.5. "Model Improvements" shall mean any and all improvements or modifications of the Model generated by members of the University Team in the performance of the Services, but specifically excluding any improvements or modifications attributable to the Company Device.

1.6. "Services" shall mean the services to be performed by the University Team in accordance with the Workplan during the time period set forth in the Workplan.

1.7. "Services Results" shall mean any and all data, information and results obtained or arrived at by members of the University Team in the performance of the Services, other than University Inventions.

1.8. "University Inventions" shall mean any and all patentable inventions, other than Model Improvements and Joint Inventions, obtained or arrived at by members of the University Team in the performance of the Services.

1.9. "University Team" shall mean the Principal Investigators and other members of their research team working under the Principal Investigators' direction in the performance of the Services.

1.10. "Workplan" means the written workplan attached hereto as Exhibit B, as may be amended, expanded or supplemented, from time to time, in accordance with Section 2.1 by the mutual written agreement of the parties.

2. Services.

2.1. Workplans. From time to time during the term of this Agreement, the parties may decide to amend, expand or supplement the Workplan for the performance of Services under this Agreement via written amendment. To the extent the terms in a Workplan shall at any time conflict with the terms of this Agreement, the terms of this Agreement shall control, unless specifically stated otherwise in the Workplan.

2.2. Delivery and Use of Company Device. Company shall deliver units of the Company Device to the Principal Investigators in the amounts and in accordance with the procedures set forth in the Workplan. University shall use the units of the Company Device solely for the purpose of performing the Services under the Workplan. University shall not reverse engineer the Company Device nor undertake any additional analyses of the Company Device, including, without limitation, any attempt to determine the composition, design, structure or properties of the Company Device (except as specifically set forth in the Workplan), without the advance express written permission of Company. Units of the Company Device shall not be used in humans. University shall not sell or transfer units of the Company Device to any person other than members of the University Team without Company's prior written consent. University shall comply with all applicable laws and regulations in the use of the units of the Company Device. Company's transfer of the units Company Device to University shall not constitute a sale thereof or a grant, option or license under any patent or other rights owned or controlled by Company. Upon completion of the Services, University shall return to Company all units of the Company Device in its possession or control.

2.3. Performance of Services. University shall cause the University Team to perform the Services in accordance with the Workplan and state-of-the-art scientific standards and laboratory practices. The Services will be directed and supervised by the Principal Investigators, who shall have primary responsibility for the performance of the Services.

3. Fees. In consideration for the performance of the Services, the Company shall pay University the amounts set forth in the Workplan in accordance with the time schedule set forth in the Workplan.

4. Reports. The Principal Investigators shall provide the Company written reports setting forth the Services Results, including raw data and analyses, in accordance with the schedule set forth in the Workplan.

5. Title.

5.1 Service Results and Joint Inventions. All rights, title and interest in and to the Service Results (other than the Model and Model Improvements) and Joint Inventions will be jointly owned by the parties. Subject to Sections 5.4 and 6, Company and University each shall have the full right to practice and to grant licenses under its interest in Joint Inventions (including with respect to patent rights covering Joint Inventions) without any obligation to seek the consent of the other or to account for any profits made as a result of any such license.

5.2. Model and all Model Improvements. All rights, title and interest in and to the Model and all Model Improvements shall be owned solely and exclusively by University.

5.3. University Inventions. University grants to Company: (a) a non-exclusive, worldwide, royalty-free, fully paid-up, perpetual and irrevocable, license (with the right to sublicense through multiple tiers of sublicenses in conjunction with the license of Company intellectual property or sale of Company products) to use and practice University Inventions (including under any and all patent rights claiming University Inventions) to develop, have developed, make, use, have made, market, sell, have sold and import the Company Device or products for the prevention of occlusion and/or reduction of debris or tissue accumulation in shunts and/or shunts incorporating such prevention devices that rely upon, make use of or are based on the Company Device; and (b) an exclusive option (the "Option") to obtain an exclusive, worldwide license, with the right to grant sublicenses, to make, use, sell, have made, have sold, offer to sell, and import under University's rights in University Inventions on terms to be negotiated in good faith between the parties. Company may exercise the Option by sending written notice to University at any time within ninety (90) days following the receipt of a written disclosure from University describing in detail such University Invention (the "Option Period"). If, at the end of the Option Period, Company has not exercised the Option, or in the event the Parties fail to reach a mutually acceptable licensing arrangement within six (6) months after the Option Period, University shall be entitled to negotiate with a third party for a license to University's rights in University Inventions.

6. Confidential Information.

6.1. Unless agreed otherwise by the Company in writing, University shall not, during the term of this Agreement and for five (5) years thereafter, disclose Company Confidential Information (as defined below) other than to members of the University Team or use Company Confidential Information other than for the purpose of performing the Services. University shall ensure that all members of the University Team are legally bound by obligations that impose confidentiality and non-use obligations comparable to those set forth in this Section 6. University shall treat the Company Confidential Information with the same degree of confidentiality as it keeps its own confidential information, but in all events no less than a reasonable degree of confidentiality. University shall safeguard any and all copies of the Company Confidential Information against unauthorized disclosure, shall not tamper with, bypass or alter its security features or attempt to do so, and shall take all reasonable steps to ensure that the provisions of this Agreement are not violated by any person under University's control or in University's service.

6.2. For purposes of this Agreement, "Company Confidential Information" means proprietary or confidential information relating to the Company's scientific, technical, trade or business information relating to the subject matter of this Agreement (including, without limitation, the technical attributes of Company Device which are not known to the public ("Company Device Information")) disclosed by or on behalf of the Company to members of the University Team in connection with the Services. Both Parties agree that in order for written information to be Confidential Information, it must be delivered in written form clearly marked as "Confidential." All information, other than Company Device Information, disclosed in oral or some other non-written form must be declared at the time of delivery to be confidential and must be confirmed and summarized in writing and clearly marked as "Confidential" within thirty (30) days of disclosure to be Company Confidential Information, *provided , however,* information that unintentionally or inadvertently lacks such a legend, or that is disclosed orally or visually which is not subsequently documented, but, by its nature, is reasonably understood to be Company Confidential Information shall be treated as such by University. Notwithstanding the foregoing, information disclosed by Company to the University Team as set forth above shall not be deemed Company Confidential Information to the extent such information: (i) was known to any member of the University Team at the time it was disclosed, as evidenced by written records at the time of disclosure; (ii) is at the time of disclosure or later becomes publicly known under circumstances involving no breach of this Agreement; (iii) is lawfully and in good faith made available to a member of the University Team by a third party who is not subject to obligations of confidentiality to the Company with respect to such information; (iv) is independently developed by a member of the University Team without the use of or reference to Company Confidential Information, as demonstrated by documentary evidence; or (v) is required to be disclosed pursuant to a legal order or mandate. University agrees to keep confidential all Company Device Results until such results are published in accordance with Section 9.

7. Indemnity.

7.1 Notwithstanding the rest of this agreement, Company shall indemnify, defend and hold harmless University, University personnel and representatives, from and against any liability, cost, expense, damage, deficiency, loss or obligation or any kind or nature (including, without limitation, reasonable attorney's fees and other costs and expenses of litigation) resulting from a claim, suit or proceeding brought by a third party against University to the extent resulting from the use or commercialization of the Services Results or University Inventions by Company or a Company's sublicensee (a "Claim"), except (in each case) to the extent caused by the negligence or willful misconduct of University or anyone on its behalf.

7.2 If University receives notice of any Claim, University shall, as promptly as is reasonably possible, give the Company notice of such Claim; provided, however, that failure to give such notice promptly shall only relieve the Company of any indemnification obligation it may have hereunder to the extent such failure diminishes the ability of the Company to respond to or to defend University against such Claim. University and the Company shall consult and cooperate with each other regarding the response to and the defense of any such Claim and the Company shall be entitled to assume sole control of the defense and/or represent the interests of University in respect of such Claim, that shall include the right to select and direct legal counsel and other consultants to appear in proceedings on behalf of University and propose, accept or reject offers of settlement, all at its sole cost provided that Company shall not settle a claim which admits fault on behalf of University without University's prior written consent. Nothing herein shall prevent University from retaining its own counsel and participating in its own defense at its own cost and expense.

8. Term and Termination.

8.1. The term of this Agreement shall commence on the date first written above and, unless terminated earlier in accordance with this Section 8, shall continue for a period of two (2) years, unless extended by the mutual written agreement of the parties.

8.2. In the event that either party commits a material breach of its obligations under this Agreement and fails to cure that breach within thirty (30) days after receiving written notice thereof, the other party may terminate this Agreement immediately upon written notice to the party in breach

8.3. If either Principal Investigator ceases to supervise the Services, the Company or University may terminate this Agreement upon written notice to the other party.

8.4. Upon termination, the parties sole obligations to the other shall be to return all Company Confidential Information and pay any monies due and owing up to the time of termination for work actually performed and all costs reasonably and properly incurred by the parties as of the date that termination is effective, including all non-cancelable obligations reasonably and properly entered into for the purposes of the Services, which may include any non-cancelable University Team salaries, fellowships or post-doctoral stipends, and other non-cancelable executory obligations reasonably and properly incurred by the parties in furtherance of Services, subject to the parties taking reasonable steps to mitigate and minimize such costs.

8.5. The parties' respective rights, obligations and duties under Sections 4, 5, 6, 7, 8, 9, 10, 11, and 12 , as well as any rights, obligations and duties which by their nature extend beyond the expiration or termination of this Agreement, shall survive any expiration or termination of this Agreement.

9. Publications.

9.1 Company acknowledges that the Principal Investigators and University Team have the right and academic duty to publish the Service Results, and agrees that the University Team will be permitted to present at symposia or professional meetings and to publish in books, journals, and other media of their choosing, any and all Service Results, University Inventions, Models, and Model Improvements; provided however, that University shall not disclose Company Confidential Information without the prior written consent of Company. The University Team will at all times have the first opportunity to publish or present the Service Results, Models, and Model Improvements subject to Section 9.2; provided however that Company shall be entitled to disclose Services Results and regulatory and/or patent filings prior to any such publication.

9.2 If University chooses to publish Service Results on its own (i.e. not publish jointly with Company), Company will be furnished a copy of any proposed publication or a summary of a presentation containing Service Results in advance of submission in the case of publication and rendering in the case of presentation. Company will have thirty (30) days after receipt to review the copy or summary for specific matter which is Company Confidential Information and provide University with a written request for removal or revision. If such a request is received within the thirty days, the Parties will have an additional thirty (30) days (a total of sixty (60) days) to agree upon removal or revisions to protect the Company Confidential Information. Upon completion of this publication process or, if applicable, confidentiality is specifically waived under Section 6, University may proceed with publication, provided that University may not publish or otherwise disclose Company Confidential Information without Company's express prior written approval. Company shall not encumber publication by University other than to remove Company Confidential Information.

9.3 All papers and presentations reporting Service Results will contain a dignified statement in a form that is customary and appropriate in scholarly journals or presentations for acknowledging that financial support for such research was provided by Company.

9.4 Company will not have an opportunity to change, alter or redact the contents of any student thesis, dissertation, or presentation thereof, provided that no such thesis, dissertation or presentation may contain Company Confidential Information without Company's prior written consent.

10. Disclaimer and Limitation. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, EVERYTHING PROVIDED BY EITHER PARTY UNDER THIS AGREEMENT IS UNDERSTOOD TO BE EXPERIMENTAL IN NATURE, MAY HAVE HAZARDOUS PROPERTIES, AND IS PROVIDED WITHOUT ANY WARRANTY OF ANY KIND, EXPRESSED OR IMPLIED, INCLUDING WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, OR NON-INFRINGEMENT OF ANY THIRD-PARTY PATENT, TRADEMARK, COPYRIGHT OR ANY OTHER THIRD-PARTY RIGHT. NEITHER PARTY MAKES ANY WARRANTIES REGARDING THE QUALITY, ACCURACY, COMMERCIAL VIABILITY OR ANY OTHER ASPECT OF ITS PERFORMANCE PURSUANT TO THIS AGREEMENT OR REGARDING THE PERFORMANCE, VALIDITY, SAFETY, EFFICACY OR COMMERCIAL VIABILITY OF ANYTHING PROVIDED BY IT UNDER THIS AGREEMENT. IN NO EVENT SHALL UNIVERSITY OR COMPANY BE LIABLE FOR ANY INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT, WHETHER IN BREACH OF CONTRACT, TORT OR OTHERWISE, EVEN IF THE PARTY IS ADVISED OF THE POSSIBLITY OF SUCH DAMAGES. EXCEPT FOR THEIR RESPECTIVE INDEMNITY OBLIGATIONS AND BREACH OF CONFIDENTIALITY OBLIGATIONS, EACH OF UNIVERSITY'S AND COMPANY'S AGGREGATE LIABILITY TO THE OTHER UNDER THIS AGREEMENT SHALL NOT EXCEED THE PAYMENTS MADE OR PAYMENTS DUE UNDER THIS AGREEMENT, RESPECTIVELY.

11. Insurance. The parties shall obtain and maintain an adequate self-insurance or insurance program to protect against potential liabilities and risk, including coverage for the indemnity obligations herein; provided that Company's obligations under this Section 11 shall come into effect only if and when the Company commences clinical trials (a) based on Services Results or (b) with a product developed under the license granted to Company pursuant to Section 5.3. Prior to the first clinical study in humans of a product developed under the license granted to Company pursuant to Section 5.3, Company shall obtain and maintain product liability insurance in the amount of $5,000,000 per occurrence and $10,000,000 in the aggregate.

12. Miscellaneous.

12.1. Entire Agreement. This Agreement is the sole agreement with respect to the subject matter hereof and except as expressly set forth herein, supersedes all other agreements and understandings between the parties with respect to same.

12.2. Notices. Unless otherwise specifically provided, all notices required or permitted by this Agreement shall be in writing and may be delivered personally, or may be sent by facsimile or certified mail, return receipt requested, to the following addresses, unless the parties are subsequently notified of any change of address in accordance with this Section 9.2:

If to the Company:

Microbot Ltd.
Attention: Hezi Himelfarb, COO
5 Hamada Street
Yokneam
Israel

If to University:

Joint Research Office of Contracts
Attention: Megan White
One Brookings Dr., Campus Box 1054
St. Louis, MO 63130

Copy to:

James P. McAllister
Department of Neurosurgery
BJC Institute of Health
425 S. Euclid, Campus Box 8057
St. Louis, MO 63110

Any notice shall be deemed to have been received as follows: (i) by personal delivery, upon receipt; (ii) by facsimile, one business day after transmission or dispatch; (iii) by airmail, seven (7) business days after delivery to the postal authorities by the party serving notice. If notice is sent by facsimile, a confirming copy of the same shall be sent by mail to the same address.

12.3. Governing Law and Jurisdiction. This Agreement will be governed by, and construed in accordance with, the substantive laws of the State of New York, without giving effect to any choice or conflict of law provision, and sole jurisdiction is granted to the competent court in the City of New York, NY.

12.4. Amendment; Waiver. This Agreement may be amended, modified, superseded or canceled, and any of the terms may be waived, only by a written instrument executed by each party or, in the case of waiver, by the party waiving compliance. The delay or failure of any party at any time or times to require performance of any provisions hereof shall in no manner affect the rights at a later time to enforce the same. No waiver by either party of any condition or of the breach of any term contained in this Agreement, whether by conduct, or otherwise, in any one or more instances, shall be deemed to be, or considered as, a further or continuing waiver of any such condition or of the breach of such term or any other term of this Agreement.

12.5. No Agency or Partnership. Nothing contained in this Agreement shall give any party the right to bind another, or be deemed to constitute either parties as agents for each other or as partners with each other or any third party.

12.6. Force Majeure. Neither party will be responsible for delays resulting from causes beyond the reasonable control of such party, including without limitation fire, explosion, flood, war, strike, or riot, provided that the nonperforming party uses commercially reasonable efforts to avoid or remove such causes of nonperformance and continues performance under this Agreement with reasonable dispatch whenever such causes are removed.

12.7. Severability. If any provision of this Agreement is or becomes invalid or is ruled invalid by any court of competent jurisdiction or is deemed unenforceable, it is the intention of the parties that the remainder of this Agreement shall not be affected.

12.8. Names and Marks. Neither Party may use the trademarks or name of the other Party or its employees for any commercial, advertisement, or promotional purposes without the prior written consent of the other.

12.9. Assignment. This Agreement may not be assigned by either party without the consent of the other, which consent shall not be unreasonably withheld, except that each party may, without such consent, assign this Agreement and the rights, obligations and interests of such party to any of its affiliates, to any purchaser of all or substantially all of its assets to which the subject matter of this Agreement relates, or to any successor corporation resulting from any merger or consolidation of such party with or into such corporation; provided, in each case, that the assignee agrees in writing to be bound by the terms of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the date first written above.

Microbot Medical Ltd.		**The Washington University**	
By:	*/s/ Harel Gadot*	By:	*/s/ Melanie Roewe*
Name:	Harel Gadot	Name:	Melanie Roewe, J.D.
Title:	Chief Executive Officer	Title:	Assistant Vice Chancellor

I, the undersigned, hereby confirm that I have read the Agreement, that its content is acceptable to me and that I will act in accordance with its terms.

/s/ James P. McAllister II	January 24, 2017
James P. McAllister II, PhD	Date
/s/ David D. Limbrick	January 26, 2017
David D. Limbrick, Jr, MD, PhD	Date

Exhibit A
Company Device

See following pages

Approvals:

	Name	Title	Signature	Date
Author	Or Samocha	Project Leader		July 1, 2016
Reviewed	Yossi Porat	S/W Engineer		July 1, 2016
Approved By	Simon Sharon	COO		July 1, 2016

The Product

The Microbot SCS device is designed to serve as the ventricular catheter portion of a Cerebrospinal Fluid shunt system. The Microbot ventricular catheter can connect to valves that are currently on the market. The advantage of the Microbot SCS device is its ability to maintain CSF flow through the ventricular catheter.

As further described below, the Microbot SCS device incorporates an internal cleaning mechanism embedded in the lumen of the ventricular catheter. The internal part is comprised of a central shaft with small protrusions (resembling a stalk of wheat), which prevents cell ingrowth into the catheter perforations using minute vibrational movements. The vibrational action is externally operated by the patient wearing of a specially designed headset for approximately 5 minute per day. When activated, the headset applies a small magnetic field, which causes the internal part to vibrate and thereby mechanically keeps tissue from entering the catheter perforations while maintaining the CSF flow in the ventricular catheter.

The Microbot SCS ventricular catheter consists of a silicone tube with a perforated titanium tip, which connects to a standard shunt valve at its distal end. The internal cleaning mechanism is embedded in the lumen of the titanium tip.

The internal cleaning mechanism vibrates by means of an induced magnetic field that is externally generated by a user friendly headset that transmits a magnetic field with a pre-determined frequency and operating sequence protocol. The magnetic field that is created by the headset externally, is captured by the intermediate flat flexible coil and PCB that are placed just under the patient's scalp (in the same location where the valve is currently located). The actuated PCB assembly converts this power to an altering current which flows through the wires to an internal coil located in the distal end of the catheter's titanium tube. The internal coil produces an electromagnetic field which induces small vibrational movement of the internal cleaning mechanism within the proximal part of the ventricular catheter. The vibrational movement maintains CSF flow in the ventricular catheter by preventing surrounding tissue from entering the catheter perforations, without interfering with the cerebrospinal fluid (CSF) drainage. The vibrational movements of the internal part drive out the infiltrating tissue from the catheter perforations.

Global view

The Microbot SCS device is composed of the following main components:

1. Implanted Ventricular Catheter with vibrating internal part
2. Implanted Intermediate Flexible Coil and PCB Assembly
3. External Head Set Activation Unit

The Microbot SCS device is shown in Figure 1 below.

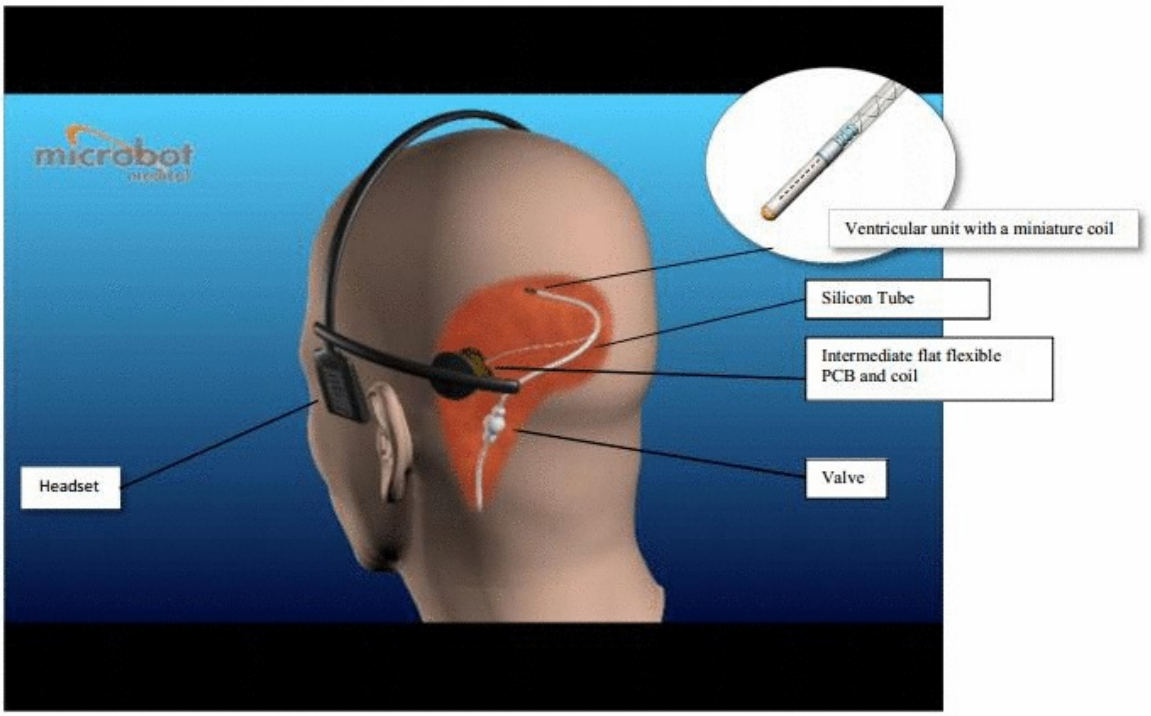


Figure 1 - Microbot SCS Device

The ventricular catheter is depicted in Figure 2 and contains:

- Silicone tube with the following components embedded within the silicone:
    - Small coil
    - wires
- Titanium Tip with the vibrating internal part contained within its lumen.

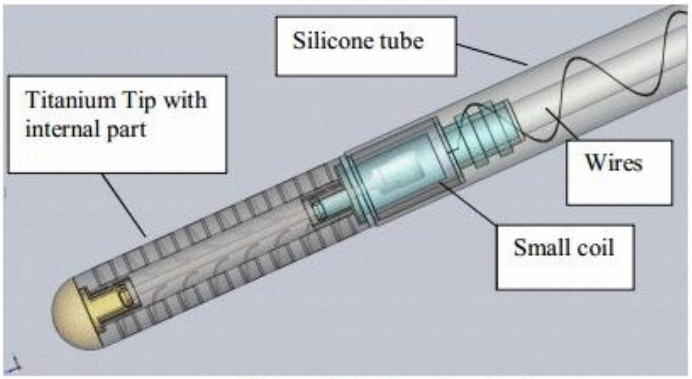


Figure 2 - Microbot SCS Ventricular Catheter

A more detailed description of system's main components is provided below.

Detailed Component Description

Silicone Tube

The silicone tube is constructed from the same material as standard silicone shunts and has similar inner and outer diameters as standard ventricular catheters. The silicone tube is connected to the titanium tip at the proximal end and to a conventional, commercially available CSF valve at the distal end. Compatibility with different valve systems will be demonstrated as part of the performance data. The internal small coil is embedded inside the silicone tube at the proximal end. Electrical wires are embedded in the wall thickness of the silicone tube (as shown in Figure 2 above) connecting the small coil and the intermediate flat flexible coil assembly that are implanted under the scalp.

Titanium Tip

The titanium tip is a perforated tube, similar to the standard silicone tips of ventricular catheters, only it is manufactured from titanium instead of silicone. The titanium tip houses the vibrating internal cleaning mechanism and is designed to allow mobility while protecting it during implantation of the ventricular catheter. The titanium tip is connected at the distal end to the silicone tube. The tip may be made of other materials as well.

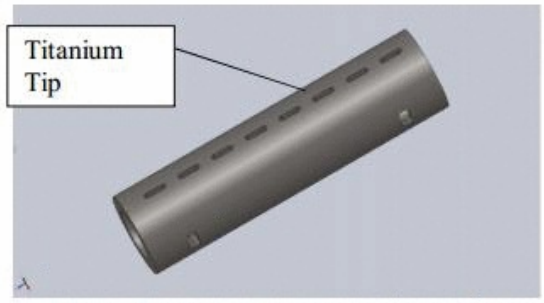


Figure 3 – Titanium tip without the internal part

Internal Part and Magnet

The vibrating internal part (Figure 4) is located within the lumen of the titanium tip and maintains CSF flow by using vibrational movements to prevent the tissue or other cells from entering and accumulating within the catheter perforations. The internal part resembles a stalk of wheat with small arms or protrusions along a central shaft and has a small neodymium magnet at the end. The internal part is also manufactured from titanium and the neodymium magnet will either be enclosed in a titanium housing or coated with a biocompatible material (to be determined). The magnet is located in the internal small coil which is located in the silicone tube, as shown in Figure 6.

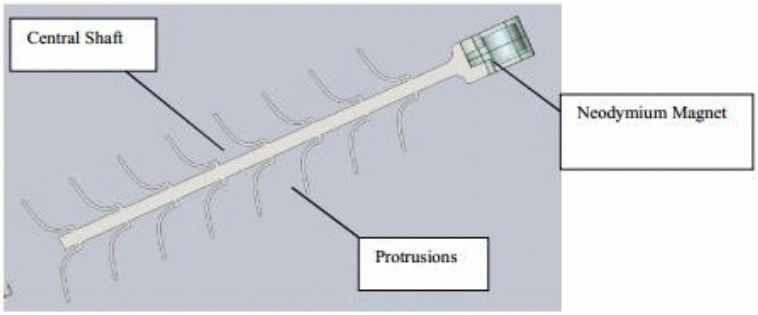


Figure 4 – Vibrating Internal Part

Figure 5 shows the internal part within the titanium tip.

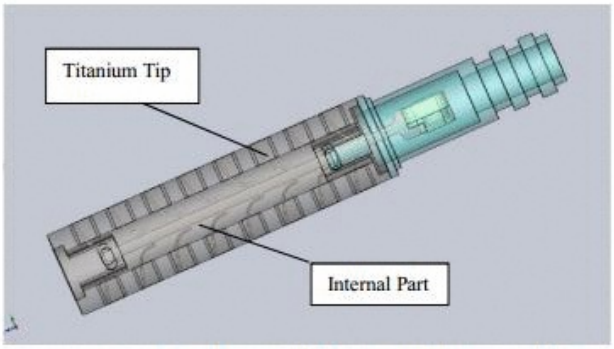


Figure 5 – Internal Part inside the Titanium Tip

Internal Actuator

Figure 6 shows the internal part inside the titanium tip, connected to the silicon tube.

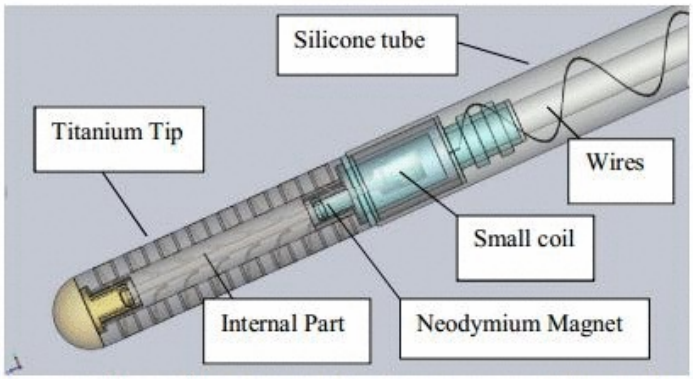
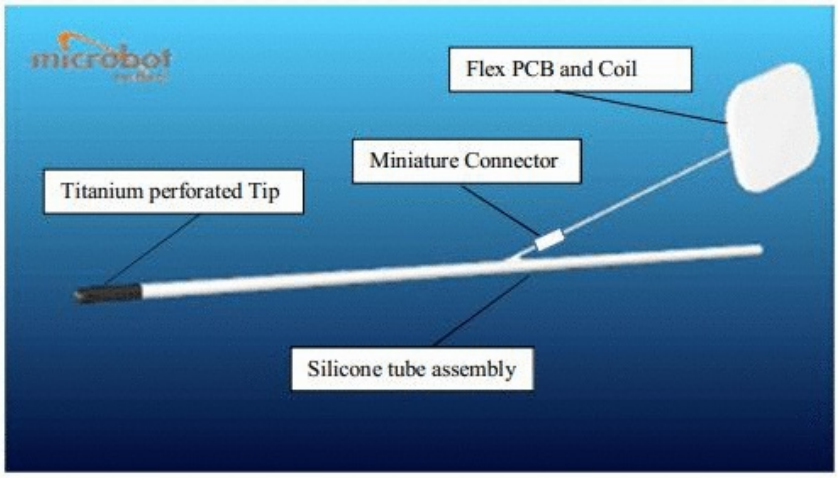


Figure 6 – Internal Part inside the titanium tip connected to the Silicon Tube

The vibration of the internal part is achieved by an altering magnetic field which is generated by an electromagnet (internal small coil up'on actuating by the external headset). The magnetic field creates a moment on the magnet and causes it to rotate around its axis. The minute magnet movement causes the internal part to vibrate slightly and mechanically drives out the tissue or cells from the catheter perforations and thus prevents infiltration and lodging of the tissue in the catheter perforations. The small coil is manufactured from gold/copper coated with biocompatible material and it is encapsulated inside the silicone tube.



Intermediate Flexible Coil and PCB Assembly

The intermediate flat flexible coil and PCB assembly is implanted under the scalp near the implanted valve. This is a flexible printed circuit board (PCB) that contains an intermediate coil made of thin gold\copper wires or other material. The entire flexible coil assembly is encapsulated in silicone such that no internal component comes in contact with human tissue or fluids.

The electromagnetic power that is generated by the external head set unit is induced on the intermediate flexible coil and pcb assembly. The PCB circuitry converts the power from the headset and generates the power that controls the vibrating internal part. The PCB also sends and receives sensory data and from, and to, the headset. The flexible coil, PCB assembly and the silicone section that leads to the PCB are connected to the silicone tube using a miniature connector.

External Head Set Activation Unit

The external head set activation unit is the headset configuration schematically depicted in Figure 7. The headset is worm by the patient once a day for a predetermined period of time. The head set contains an electromagnet that, when properly placed, is automatically activated and transforms electromagnetic power on the intermediate flexible coil assembly to create vibration of the internal part and initiates communication with the implant.

Figure 7 - External Head Set Activation Unit

The head set is pre-adjusted for each patient such that when it is worn, the active area of the head set is positioned proximal to the implanted flexible coil assembly and the electromagnetic energy is induced on the implanted coil.

The head set contains a rechargeable battery. A charged battery will suffice for several days of operation. A microprocessor with dedicated embedded software also resides in the headset. The vibration of the internal part is automatically initiated when the patient places the external head set activation unit on his/her head. The head set activation unit contains a set of LED indicators and auditory feedback, controlled by the embedded software which provides the patient and physician with treatment information. The communication with the implant provides the means to receive sensory data from the implant regarding its state including malfunctions it can experience. The headset has also the ability to upload SW updates to the implant.

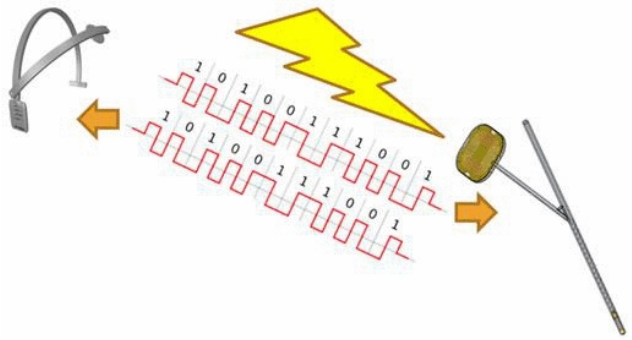


Figure 8 – Communication and power scheme

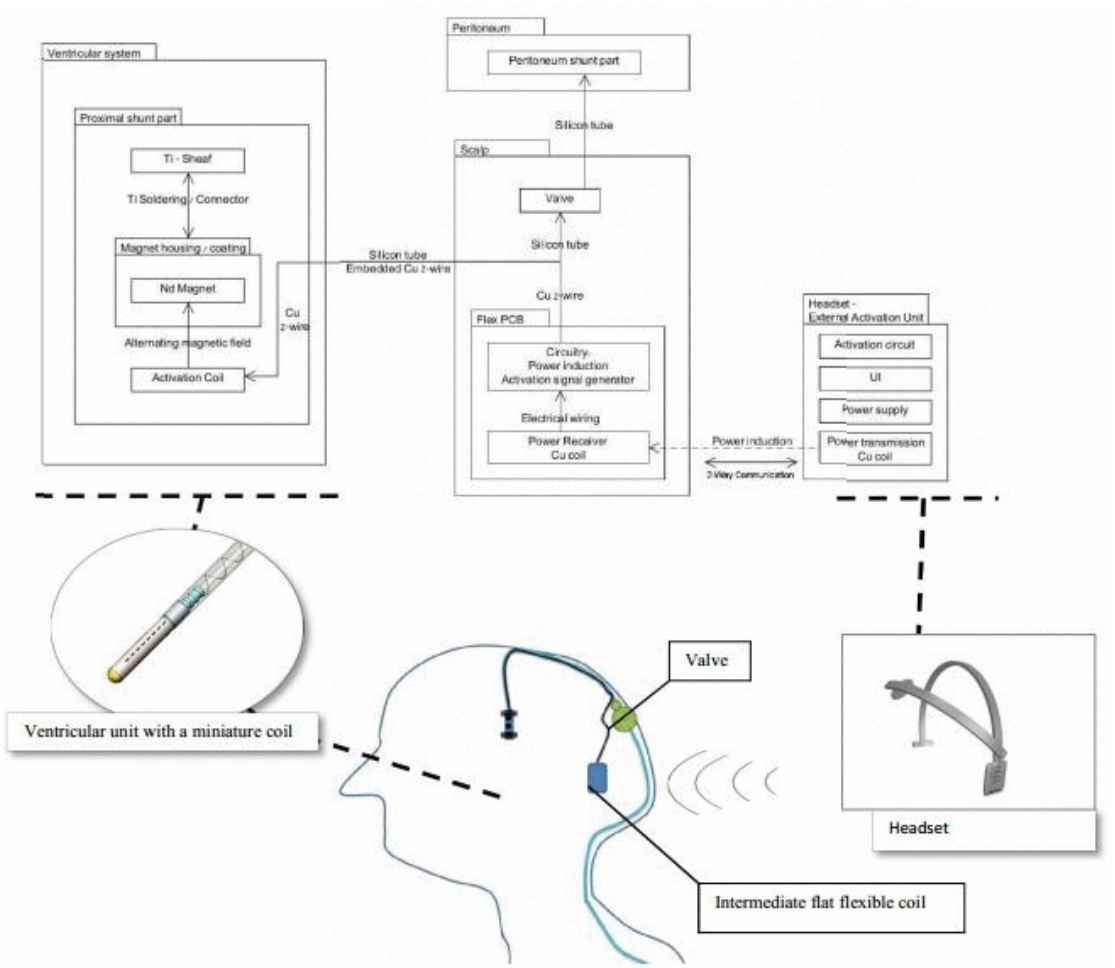
The following indications are provided by the headset:

- Device readiness, including battery state, charging indication, error indication (e.g. hardware failures).
- Treatment start - this indicates proper placement of the headset over the flexible coil.
- Device operation - “treatment in progress” indicates proper functioning of the vibrational movement of the internal part, while the headset is placed over the flexible coil.
- Device compliance – indicates user compliance with the treatment regimen.

The following functions are enabled using the Headset via a USB port:

- Charging the battery.
- Retrieving treatment history by the physician.

Mode of Operation



Upon activation by the user, the external head set activation unit generates an alternating magnetic field, which is induced on the intermediate implanted flat flexible coil. The magnetic field is induced on the intermediate flexible coil assembly which generates power for the PCB circuitry within the intermediate flexible coil assembly. The PCB circuitry generates an alternating current that flows through the electromagnet (small coil) in the proximal ventricular catheter, generating an alternating magnetic field which in turn generates the moment of the neodymium (Nd) magnet and vibrates the internal part. The vibrations maintain the perforations in the proximal ventricular catheter clear of cell ingrowth and enable the CSF to flow freely, thus preventing the buildup of tissue that causes occlusion. The communication between the headset and the implant is based on amplitude modulation..

Exhibit B
Workplan

Scope of Work

IN VIVO TESTS OF THE MICROBOT MEDICAL SCS DEVICE

Washington University School of Medicine and the Saint Louis Children's Hospital Investigators:

James P. (Pat) McAllister, PhD; Professor
David D. Limbrick, Jr., MD, PhD: Professor and Chief of Pediatric Neurosurgery
Leandro Castaneyra Ruiz, PhD: Visiting Researcher and Postdoctoral Fellow

The Microbot device seeks to prevent tissue obstructions from occluding cerebrospinal fluid (CSF) drainage catheters implanted into the lateral ventricle. Therefore, the experiments will include implantation of these catheters into the lateral ventricle as part of a CSF drainage system, or shunt. In animals that have developed hydrocephalus a ventricular catheter will be inserted into the lateral ventricle and attached to a subcutaneous reservoir whose distal catheter will be subcutaneously placed into the peritoneal cavity. This is the customary design for clinical shunts.

The main objective of this study is to determine the effectiveness of the Microbot Medical SCS Device to prevent obstruction in cerebrospinal fluid (CSF) catheters in a clinically relevant in vivo model of hydrocephalus. To meet this objective one initial Specific Aim will be addressed:

Aim 1: Determine the effectiveness of a porcine model of hydrocephalus to test the Microbot Medical SCS Device.

This short-term pilot study on 4-10 infant pigs is intended to solve any logistical issues and collect preliminary data before the long-term efficacy testing begins in Aim 2. In particular, we will determine the extent of ventriculomegaly needed for implantation of the SCS Device, the time needed prior to implantation, the time required for typical catheter obstruction to occur, the most effective placement of the extracranial components subcutaneously and externally on the body of the pig, and how catheter obstruction will be detected. This initial study will lead to a second Specific Aim that will be formulated once Aim 1 is complete; in other words, once we have optimized the mechanics of catheter positioning (presumably in about 3 animals) we will begin testing different device activation regimes.

Experimental Design

All of the animal procedures will be reviewed and approved by the Washington University Animal Studies Committee in compliance with federal regulations.

Aim 1: Prior to testing the Microbot device, obstructive hydrocephalus will be induced in 4-10 infant pigs by intracisternal injection of kaolin. These procedures have been conducted many times by the principal investigators (PIs) and have been shown to be reliable and cost-effective methods for creating hydrocephalus in experimental animals. We will begin with the following age-based timeline, with modifications applied as we learn more about the model and the mechanics of implanting the Microbot device:

1. 2-weeks of age: Kaolin induction of hydrocephalus
2. 2-4 weeks of age:
    a. Neuroimaging – ultrasound, CT or MRI – to determine the size of the cerebral ventricles.
    b. Implantation of a non-activated Microbot device, which includes
        i. a 1.5 cm ventricular catheter.
        ii. a drainage catheter 11-20 cm long implanted subcutaneously and inserted into the peritoneal cavity.
        iii. a 10 cm silicone rod attached to a 2cm diameter coil both of which are implanted subcutaneously.
    c. Attachment externally to the body wall of a 3-4 cm receiver coil connected by wires to a 5x5 cm data collection box. A jacket will be customized to fit snugly around the animal and hold the equipment in pockets.
3. 4-10 weeks of age: Practical testing of the data collection abilities of the Microbot device and the general effects of CSF drainage and obstruction on ventricular size and animal behavior. Most likely these tests will be conducted once a day or as needed to determine the feasibility of the animal model. The longer time points will be tested on animals that survived the 10 weeks period in order to identify any chronic complications that might affect Aim 2 experiments.
4. At the termination of the experiment each animal will undergo neuroimaging and intracranial pressure (ICP) measurements

Each animal will be monitored daily for neurological status and general health by Dr. McAllister and his trained personnel, as well as the veterinary and animal care staff.

Aim 2: Following the pilot study to determine the optimal implantation parameters, the ability of the Microbot device to prevent catheter obstruction will be tested in the groups described above. Initially each group will consist of 5-8 pigs; 5 animals will be needed for routine statistical analyses so the higher number allows for complications that would remove an animal from the study. The same estimated timeline and experimental design described in Aim 1 will be used with the exception that:

1. The time following implantation for all experimental groups will be extended to at least 12 weeks.
2. In the Activated Group, the Microbot device will be turned on for the intervals that were determined in Aim 1. This frequency will also be determined initially by the in vitro experiments conducted in Dr. Harris' lab at Wayne State University in Detroit.
3. Quantitative assessments of neurological outcome (balance, motor coordination, irritability, lethargy and other signs that change with increased ICP) will be performed on a regular (at least weekly) basis.
4. Quantitative assessments of catheter patency will be performed on a weekly basis.
5. Ventricular catheters will be harvested at the end of the experiments and analyzed with routine histology for tissue obstruction.

Note that future work may include autologous blood injections into the lateral ventricles to model post-hemorrhagic hydrocephalus and test the efficacy of the Microbot device under these clinical conditions.

Study Timeline: We will conduct these experiments as expeditiously as possible, but we anticipate that Aim 1 will be completed in 3-6 months and the comprehensive study will follow.

Roles and Responsibilities:

Dr. McAllister, as Principal Investigator, will oversee and supervise all aspects of this study. In addition, he will perform all of the surgical procedures, monitor animals frequently, communicate frequently with the veterinary and support staff, supervise the Research Associate/Postdoctoral Fellow, maintain protocols, and manage funding. He will participate in semi-weekly conference calls with members of Microbot Medical. This effort will require 50% of his time for the 6-month study period.

Dr. Limbrick, as a pediatric neurosurgeon who specializes in the surgical management of hydrocephalus and current Chief of Pediatric Neurosurgery at the Washington University School of Medicine and the St. Louis Children's Hospital, will be a clinical consultant and co-investigator on this study. He will provide advice on all aspects of the study and occasionally participate in surgery. This will constitute 5% effort but his salary and benefits will be cost shared by the Washington University School of Medicine.

Dr. Leandro Castaneyra Ruiz, who is currently a postdoctoral fellow in the Limbrick/McAllister lab, will assist in all surgical procedures and animal monitoring. In addition, he will perform all of the histology conducted on the ventricular catheters and animal brains. This effort will require 75% of his time.

BUDGET FOR AIM 1
January 1 to June 30, 2017

Personnel

Dr. McAllister 50%
$24,384

Dr. Castaneyra Ruiz 75%
$20,063

Dr. Limbrick 5% cost-shared
$0

Total Personnel for 6 months
$44,447

Animals

1. Purchase infant pigs @ $180 each x 10
   $1,800

2. Administrative fee $25 x 10
   $250

3. Shipping - $205/2-3 pigs
   $750

4. Per diem - $15.50/d for 10-days postop single housing x 10 = $930;

   11-70 days = $18.19/d double housing x 5 x 60d = $5,457
   $6,387

5. Disposal fee = $85/pig x 10
   $850

6. Veterinary consultation & support
   $1,000

Total Animals for 6 months
$11,037

Surgery

1. 1st surgery (1 hr + 2 hr tech) = $550/pig x 10
   $5,500

2. 2nd surgery (3 hr + tech) = $870/pig x 10
   $8,700

Total Surgery for 6 months
$14,200

Neuroimaging

1. Transport $250/2 pigs x 5 x 2 studies
   $2,500

2. CT scans $180/h x 20 studies (2 per pig)
   $3,600

3. Veterinary/animal care technical support $150/study x 20
   $3,000

4. Ultrasonography $50/study x 20
   $1,000

Total Neuroimaging for 6 months
$10,100

Histology and Immunohistochemistry

1. Reagents, fixatives, buffers
   $750

2. Stains and antibodies
   $3,000

3. Glass slides and coverslips
   $750

4. Digital microscopy @ $20/h
   $1,000

Total Histology and Immunohistochemistry for 6 months
$5,500

Total Direct Costs

$85,284

Total Indirect Costs @ 50%

$42,642

Grand Total for 6 months

$127,926

BUDGET JUSTIFICATION for AIM 1

Personnel – described above in the Scope of Work, Roles and Responsibilities

Animals

Detailed expenses are listed in the Budget Aim 1. A maximum of 10 animals has been requested but fewer pigs may be; every effort will be made to use the minimal number of animals needed to satisfy the objectives.

Surgery

Two surgeries will be needed on each animal: the first to induce hydrocephalus and the second to implant the Microbot device. Charges are based on the current rate to use the operating room and the institutional (IACUC) requirement for a surgical assistant from the Division of Comparative Medicine) to perform anesthesia and monitor each animal following surgery.

Neuroimaging

Two assessments will be needed for each animal: the first just prior to implantation of the Microbot device to determine the extent of ventriculomegaly and the second just prior to termination of the experiment to determine the effectiveness of the device. As described under "Animals", fewer studies may be conducted if the objectives have been met. Furthermore, if ultrasonography can be shown to accurately determine the extent of ventriculomegaly then the CT scans will not be needed. However, if CT scans are needed, then transportation and veterinary care expenses will be incurred as required by the IACUC protocol.

Histology and Immunohistochemistry

Post-mortem analyses of the brain will include routine histology and targeted immunohistochemistry to determine (1) the effects of the Microbot device on the brain as well as (2) the effectiveness of the Microbot device to maintain patency in the catheter. As described previously, these costs will be reduced if fewer animals are needed.

Indirect Costs

These costs (often termed "F&A") are determined by the Washington University Joint Research Office for Contracts and administered through the Office of Sponsored Research Services and Sponsored Projects Accounting. After extensive discussions between Dr. McAllister and these offices, the rate of 50% of Direct Costs is non-negotiable. Therefore, $42,642 has been added to the Direct Costs to provide a total budget of $127,926.

ACCOUNTING AND PAYMENT

Microbot will pay WU a total of $127,926 US (inclusive of all and any taxes. Such amount shall be paid on a fixed-price basis and CORPORATION agrees that WU will retain residual funds, if any, upon completion of the Project. These payments shall be made as set out below:

Within fifteen (15) days of the Effective Date, CORPORATION will pay to WU the sum of $63,963US.

Within fifteen (15) days of after induction of Hydrocephalus in animal, CORPORATION will pay to WU the sum of $51,170.40US.

Microbot will pay the remainder, $12,792.60US, within thirty (30) days of receipt of the Aim 1 Progress Report: Pilot Studies on the Porcine Model of Hydrocephalus to Test the Microbot Medical SCS Device.

Invoices:

Invoices, will be sent to:
Microbot Medical
5 Hamada Street
Yokneam, 20692
Israel

Checks shall reference WU Contract Number OTM10394 and will be made payable to Washington University in St. Louis and sent to:

Washington University
Sponsored Projects Accounting
Campus Box 1034
700 Rosedale Avenue
St. Louis, MO 63112-1408
FAX 314-935-4309

Where payments are made via wire transfer, CORPORATION agrees to be responsible for fees related to the wire transfer. The wire transfer information is:

LICENSE AGREEMENT

This License Agreement is entered into as of the __ day of June, 2012 (the "**Effective Date**"), by and between Technion Research and Development Foundation, a company formed under the laws of Israel, having a place of business at the Technion City, Haifa 32000, Israel ("**TRDF**") and Microbot Medical Ltd., a company formed under the laws of the State of Israel, having a place of business at 147 Bar Yehuda Rd., Nesher, Israel ("**Microbot**").

WHEREAS, TRDF is the wholly-owned subsidiary of the Technion - Israel Institute of Technology (the "**Technion**") and serves as its commercial arm;

WHEREAS, Professor Moshe Shoham of the Technion (the "**Inventor**") and members of his research team at the Technion have developed certain technologies in the field of medical robotics;

WHEREAS, one of the inventions included in such technologies (i.e the invention disclosed in the Self Cleaning Shunt Patent Rights, as defined below) is co-owned by TRDF and the Rambam Health Corporation, formerly the Fund for Medical Research, Development of Infrastructure and Health Services - at Rambam Medical Center, ("Rambam"); and

WHEREAS, pursuant to an agreement between TRDF and Rambam, TRDF has the sole authority to seek licensees for and grant licenses with respect to such invention and the Self Cleaning Shunt Patent Rights; and

WHEREAS, Microbot wishes to obtain a license with respect to such technologies in order to develop, obtain regulatory approval for and commercialize products based thereon;

WHEREAS, TRDF desires to have products based on such technology developed and commercialized to benefit the public;

WHEREAS, Microbot has represented to TRDF that Microbot shall commit itself to diligent efforts to develop and commercialize such products in accordance with the terms of this Agreement;

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Definitions.

Whenever used in this Agreement with an initial capital letter, the terms defined in this Article 1, whether used in the singular or the plural, shall have the meanings specified below.

1.1. "**Affiliate**" means, with respect to an entity, any person, organization or entity controlling, controlled by or under common control with, such party. For purposes of this definition only, "control" of another person, organization or entity shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the activities, management or policies of such person, organization or entity, whether through the ownership of voting securities, by contract or otherwise. Without limiting the foregoing, control shall be presumed to exist when a person, organization or entity (a) owns or directly controls fifty percent (50%) or more of the outstanding voting stock or other ownership interest of the other organization or entity or (b) possesses, directly or indirectly, the power to elect or appoint fifty percent (50%) or more of the members of the governing body of the organization or other entity. The parties acknowledge that in the case of certain entities organized under the laws of certain countries outside of the United States, the maximum percentage ownership permitted by law for a foreign investor may be less than fifty percent (50%), and that in such cases such lower percentage shall be substituted in the preceding sentence.

1.2. "**Calendar Quarter**" means each of the periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31, for so long as this Agreement is in effect.

1.3. "**Combination Product**" shall mean a combination of products sold for a single price and consisting of:

(a) one or more Licensed Product(s); and

(b) one or more product(s) that (i) can reasonably be deemed to be a separate product(s), independent of the Licensed Product(s) and (ii) if sold as a separate product(s), independent of the Licensed Product(s) would not constitute a Licensed Product, (each such product shall be referred to as an "Other Product").

1.4. "**Development Milestones**" means the development milestones set forth in Exhibit A hereto.

1.5. "**Development Plan**" means the plan for the development and commercialization of Licensed Products to be agreed to by the parties in good faith prior to the first anniversary of the Effective Date, and to be attached hereto as Exhibit B, as such plan may be adjusted from time to time pursuant to Section 4.2. The Development Plan will set forth Microbot's projected work plan for achieving the Development Milestones.

1.6. "**Improvement**" means any patentable invention conceived and/or reduced to practice in the laboratory of Shoham at the Technion for which Shoham is an inventor and which is solely owned or otherwise controlled by TRDF (i.e. TRDF has the right to license), the practice of which falls within the scope of any Valid Claim of the Licensed Technology.

1.7. "**Improvement Patent Rights**" shall mean any patents and patent applications that claim (solely to the extent that they claim) Improvements.

1.8. "**Joint Invention**" means any patentable invention for which (a) Prof. Shoham is an inventor made (whether before or after the Effective Date, but in any event not prior to December 9, 2010) in the performance of services for Microbot or in the performance of duties as a member of the scientific advisory board of Microbot during periods in which Prof. Shoham is employed by the Technion and (b) at least one employee, consultant, contractor and/or collaborator of Microbot who is not required under law, agreement and/or under TRDF's Intellectual Property ByLaws, to assign his/her rights in such inventions to TRDF, is an inventor.

1.9. "**Joint Patent Rights**" means any patents and patent applications claiming a Joint Invention, in each case solely with respect to those claims claiming a Joint Invention.

1.10. "**Licensed Patent Rights**" means the TRDF Patent Rights, the Shoham Patent Rights and the Joint Patent Rights.

1.11. "**Licensed Product**" means any product that (a) contains, utilizes, or incorporates, in whole or in part, Licensed Technology, (b) is manufactured with the use of Licensed Technology, in whole or in part, (c) is otherwise covered, in whole or in part, by, or falls within the scope of, any Valid Claim, or (d) any service that makes use of a product described in (a) (b), or (c).

1.12. "**Licensed Technology**" means the Licensed Patent Rights, Shoham Inventions and Joint Inventions.

1.13. "**Net Sales**" means the gross amounts or other consideration received by or on behalf of Microbot and its Affiliates (in each case, the "Relevant Entity") on sales, leases or other transfers of Licensed Products, less the following to the extent applicable on such sales, leases or other transfers and not previously deducted from the gross invoice price: (a) customary trade, quantity or cash discounts to the extent actually allowed and taken; (b) amounts actually repaid or credited by reason of rejection or return of any previously sold, leased or otherwise transferred Licensed Products; (c) customer freight charges that are paid by or on behalf of the Relevant Entity; and (d) to the extent separately stated on purchase orders, invoices or other documents of sale, any sales, value added or similar taxes, custom duties or other similar governmental charges levied directly on the production, sale, transportation, delivery or use of a Licensed Product that are paid by or on behalf of the Relevant Entity, but not including any tax levied with respect to income; provided that:

1.13.1. in any transfers, or provision, of Licensed Products between a Relevant Entity and an Affiliate of such Relevant Entity not for the purpose of resale by such Affiliate, Net Sales shall be equal to the fair market value of the Licensed Products so transferred or provided, assuming an arm's length transaction made in the ordinary course of business, and

1.13.2. in the event that a Relevant Entity receives non-cash consideration for any Licensed Products, or in the case of transactions not at arm's length with a non-Affiliate of a Relevant Entity, Net Sales shall be calculated based on the fair market value of such consideration or transaction, assuming an arm's length transaction made in the ordinary course of business.

Sales of Licensed Products by a Relevant Entity to its Affiliate for resale by such Affiliate shall not be deemed Net Sales. Instead, Net Sales shall be determined based on the gross amount received by such Affiliate on resale of Licensed Products to an independent third party purchaser.

In the event that a Licensed Product is sold in any country in the form of a Combination Product, Net Sales of such Combination Product shall be adjusted by multiplying Net Sales of such Combination Product in such country by the fraction A/(A+B), where A is the average invoice price in such country of the Licensed Product included in such Combination Product when sold separately in such country, and B is the average invoice price of the Other Products included in such Combination Product when sold separately in such country. If, in a specific country, the Licensed Product and/or the Other Product(s) are not sold separately, a market price for the Licensed Product and/or the Other Product(s) in the Combination Product, as applicable, shall be determined according to separate sale prices in commensurate countries. If the Licensed Product in the Combination Product is not sold separately, Net Sales of such Combination Product shall be adjusted by multiplying Net Sales of such Combination Product by the fraction (C-B)/C, where C is the average invoice price of the Combination Product in such country, and B is the list price of the Other Products included in such Combination Product when sold separately in such country. If, in a specific country, the Other Product(s) in the Combination Product is not sold separately, a market price for the Licensed Product and the Other Product(s) in the Combination Product shall be determined by Microbot in good faith. Microbot shall provide TRDF with a specific and separate written notification stating that such good faith determination has been made by Microbot together with its written explanation for such determination, together with the relevant quarterly royalty report. If TRDF disagrees with respect to the market price that should be attributed to the Licensed Product and/or Other Product(s) in the Combination Product, as set forth in any royalty report provided under Section 6, TRDF may notify Microbot in writing of such disagreement within ninety (90) days of receipt of the relevant notification and report and the parties will resolve such disagreement in accordance with the procedure set forth in Exhibit C.

1.14. "**Qualified Financing**" shall have the meaning prescribed in Section 11.2.4 below.

1.15. "**Self-Cleaning Shunt Patent Rights**" means (a) the patents and patent applications listed in Exhibit D (including the PCT application and/or the US utility application claiming priority to such application and filed at the one year conversion date of such application(s)); (b) any patent or patent application that claims priority to and is a divisional, continuation, reissue, renewal, reexamination, substitution or extension of any patent application identified in (a); (c) any patents issuing on any patent application identified in (a) or (b), including any reissues, renewals, reexaminations, substitutions or extensions thereof; (d) any claim of a continuation-in-part application or patent (including any reissues, renewals, reexaminations, substitutions or extensions thereof) that is entitled to the priority date of, and is directed specifically to subject matter specifically described in, at least one of the patents or patent applications identified in (a), (b) or (c); (e) any foreign counterpart (including PCTs) of any patent or patent application identified in (a), (b) or (c) or of the claims identified in (d); and (f) any supplementary protection certificates, any other patent term extensions and exclusivity periods and the like of any patents and patent applications identified in (a) through (e).

1.16. "**Shoham Invention**" means any patentable invention for which Prof. Shoham is an inventor made (whether before or after the Effective Date, but in any event not prior to December 9, 2010) in the performance of consulting or other services for Microbot under the Shoham Agreement or any other agreement entered into between Microbot and Prof. Shoham pursuant to Section 2.7 or in the performance of duties as a member of the scientific advisory board of Microbot during periods in which Prof. Shoham is employed by the Technion, other than Joint Inventions.

1.17. "**Shoham Patent Rights**" means any patents and patent applications claiming a Shoham Invention, in each case solely with respect to those claims claiming a Shoham Invention.

1.18. "**Sublicense**" means (a) any license or option to license granted by Microbot to a third party under any of the Licensed Technology, other than licenses granted by Microbot to an Affiliate thereof or other contractor solely in order to enable such Affiliate or other contractor to perform work on Microbot's behalf as described in Section 3.2 and (b) any further sublicense granted under Section 3.3.2.6 by a third party granted a Sublicense from Microbot described in clause (a) to another third party under such Licensed Technology.

1.19. "**Sublicense Income**" means any payments or other consideration that Microbot or any of its Affiliates receives in connection with and as consideration for a Sublicense (including, but not limited to, upfront payments, milestones and royalties on sales), but specifically excluding: (a) reimbursement for out-of-pocket expenses incurred by Microbot with respect to Licensed Patent Rights (including amounts reimbursed under Section 7.2) for which Microbot has not previously been reimbursed; (b) amounts received from a Sublicensee to cover reasonable, fully burdened, bona fide costs to be incurred by Microbot or its Affiliate in the performance of research or development activities under a Sublicense agreement in connection with a Licensed Product or a product expected to become a Licensed Product; (c) equity investments in Microbot made at arm's length to the extent such investments represent fair market value taking into consideration reasonable premiums due to the strategic relationship (amount above such fair market value will be deemed Sublicense Income); and (d) amounts received, during a period of no more than 12 months following first payment on account of such amounts, from a Sublicensee that are ear-marked to cover reasonable, bona fide, fully-burdened costs to be incurred by Microbot or its Affiliate in the performance of market education, marketing, clinical and/or other promotional activities relating to the sale of Licensed Products, as set forth in budgets that are part of the Sublicense agreement. In the event that Microbot or an Affiliate of Microbot receives non-cash consideration in connection with and as consideration for a Sublicense or in the case of transactions not at arm's length, Sublicense Income shall be calculated based on the fair market value of such consideration or transaction, at the time of the transaction, assuming an arm's length transaction made in the ordinary course of business.

1.20. "**Sublicensee**" means any person or entity granted a Sublicense.

1.21. "**TipCat Patent Rights**" means (a) the patents and patent applications listed in Exhibit E (including the PCT application and/or the US utility applications claiming priority to such application and filed at the one year conversion date of such applications); (b) any patent or patent application that claims priority to and is a divisional, continuation, reissue, renewal, reexamination, substitution or extension of any patent application identified in (a); (c) any patents issuing on any patent application identified in (a) or (b), including any reissues, renewals, reexaminations, substitutions or extensions thereof; (d) any claim of a continuation-in-part application or patent (including any reissues, renewals, reexaminations, substitutions or extensions thereof) that is entitled to the priority date of, and is directed specifically to subject matter specifically described in, at least one of the patents or patent applications identified in (a), (b) or (c); (e) any foreign counterpart (including PCTs) of any patent or patent application identified in (a), (b) or (c) or of the claims identified in (d); and (f) any supplementary protection certificates, any other patent term extensions and exclusivity periods and the like of any patents and patent applications identified in (a) through (e).

1.22. "**TRDF Patent Rights**" means the TipCat Patent Rights, and the Virob Patent Rights.

1.23. "**Valid Claim**" means: (a) a claim of an issued and unexpired patent within the Licensed Patent Rights that has not been (i) held permanently revoked, unenforceable, unpatentable or invalid by a decision of a court or governmental body of competent jurisdiction, unappealable or unappealed within the time allowed for appeal, (ii) rendered unenforceable through disclaimer or otherwise, (iii) abandoned or (iv) permanently lost through an interference or opposition proceeding without any right of appeal or review; or (b) a pending claim of a pending patent application within the Licensed Patent Rights that (i) has been asserted and continues to be prosecuted in good faith and (ii) has not been abandoned or finally rejected without the possibility of appeal or refilling.

1.24. "**Virob Patent Rights**" (a) the patents and patent applications listed in Exhibit F (including the PCT application and/or the US utility application claiming priority to such applications and filed at the one year conversion date of such applications) and Self-Cleaning Shunt Patent Rights; (b) any patent or patent application that claims priority to and is a divisional, continuation, reissue, renewal, reexamination, substitution or extension of any patent application identified in (a); (c) any patents issuing on any patent application identified in (a) or (b), including any reissues, renewals, reexaminations, substitutions or extensions thereof; (d) any claim of a continuation-in-part application or patent (including any reissues, renewals, reexaminations, substitutions or extensions thereof) that is entitled to the priority date of, and is directed specifically to subject matter specifically described in, at least one of the patents or patent applications identified in (a), (b) or (c); (e) any foreign counterpart (including PCTs) of any patent or patent application identified in (a), (b) or (c) or of the claims identified in (d); and (f) any supplementary protection certificates, any other patent term extensions and exclusivity periods and the like of any patents and patent applications identified in (a) through (e).

2. Right and Title.

2.1. TRDF shall own all right, title and interest in and to the TRDF Patent Rights, Shoham Inventions and the Shoham Patent Rights.

2.2. TRDF and Microbot shall own jointly the entire right, title and interest in and to all Joint Inventions and Joint Patent Rights.

2.3. All determinations of inventorship under this Agreement shall be made in accordance with United States patent law. In case of dispute over inventorship, a mutually acceptable outside patent counsel shall make the determination of the inventor(s) by applying the standards contained in United States patent law.

2.4. Prof. Shoham shall disclose to Microbot and TRDF in a confidential writing the development, making, conception or reduction to practice of any Shoham Invention and Joint Invention, promptly after he becomes aware thereof.

2.5. Microbot shall disclose to TRDF in a confidential writing the development, making, conception or reduction to practice of any Shoham Invention and Joint Invention promptly after it becomes aware thereof

2.6. TRDF shall disclose to Microbot in a confidential writing the development, making, conception or reduction to practice of any Shoham Invention and Joint Invention promptly after it becomes aware thereof.

2.7. Prof. Shoham shall enter into a agreement with Microbot, in the form attached hereto as Exhibit G (the "Shoham Agreement"). Such Shoham Agreement shall be consistent with and subordinate to the provisions of this Section 2, and shall require the Inventor to assign his rights in Shoham Inventions and Joint Inventions in a manner consistent with the provisions of this Section 2 and shall allow Prof. Shoham to make the disclosures contemplated by Section 2. In the case of any discrepancy between Section 2 of this Agreement and the Shoham Agreement, the terms of this Agreement shall prevail. So long as Professor Shoham remains a faculty member of the Technion, any amendment to the Shoham Agreement and any new agreement between Professor Shoham and Microbot pursuant to which Professor Shoham provides services and/or serves on the scientific advisory board of Microbot shall require the prior written approval of TRDF. The aforesaid does not derogate from any rights TRDF may have with respect to any intellectual property and/or inventions which may be conceived or developed by Professor Shoham that are neither Shoham Inventions nor Joint Inventions.

3. License Grants.

3.1. License. Subject to the terms and conditions set forth in this Agreement, TRDF hereby grants to Microbot an exclusive, worldwide, royalty-bearing, sub-licensable license under the Licensed Patent Rights (including under Rambam's interest in the Self Cleaning Patent Rights), Shoham Inventions and Shoham Patent Rights and TRDF's interest in Joint Inventions and Joint Patent Rights for the sole purpose of researching, developing, manufacturing, using, offering for sale and selling Licensed Products; provided, however, that TRDF reserves the right, for itself and the Technion only, to practice the Licensed Technology and for Rambam to practice the Self Cleaning Shunt Patent Rights, in each case solely for internal research, teaching and other educational purposes and not for the purpose of commercial manufacture, distribution or provision of services for a fee.

3.2. Affiliates and Contractors. Without derogating in any way from Microbot's right to grant Sublicenses to Affiliates under Section 3.3, the license granted to Microbot under Section 3.1 includes the right to have some or all of Microbot's rights under Section 3.1 exercised or performed by one or more of Microbot's Affiliates and/or by contractors on Microbot's behalf for Microbot's benefit without such right being deemed a Sublicense; provided, however, that:

3.2.1. no such Affiliate or contractor shall be entitled to grant a Sublicense to any third party; and

3.2.2. any act or omission taken or made by an Affiliate or contractor of Microbot under the rights granted pursuant to this Section 3.2 will be deemed an act or omission by Microbot under this Agreement.

3.3. Sublicenses.

3.3.1. Sublicense Grant. Microbot shall be entitled to grant Sublicenses under the license granted pursuant to Sections 3.1 and 3.2 subject to the terms of this Section 3.3. Any such Sublicense shall be on terms and conditions in compliance with and not inconsistent with the terms of this Agreement. Such Sublicenses shall be made only for consideration and in bona-fide arm's length transactions.

3.3.2. Sublicense Agreements. Sublicenses shall be granted only pursuant to written agreements, which shall be subject and subordinate to the terms and conditions of this Agreement. Such Sublicense agreements shall contain, among other things, provisions to the following effect:

3.3.2.1. all provisions necessary to ensure Microbot's ability to perform its obligations under this Agreement as they relate to such Sublicense;

3.3.2.2. a provision comparable to Section 6.2 permitting an auditor appointed by Microbot to audit the Sublicensee's records;

3.3.2.3. a section substantially the same as Article 10 (Indemnification), which also shall state that the Indemnitees (as defined in Section 10.1) are intended third party beneficiaries of such Sublicense agreement for the purpose of enforcing such indemnification;

3.3.2.4. a provision stating that if the Sublicensee commences a legal action in which it challenges the validity of any of the TRDF Patent Rights, then Microbot may terminate the Sublicense agreement specifically with respect to that entire specific family of TRDF Patent Right which are being challenged, in whole or in part, by Sublicensee in such action (being either the entire family of Virob Patent Rights (excluding the Self-Cleaning Shunt Patent Rights), Self-Cleaning Shunt Patent Rights, and/or TipCat Patent Rights, as applicable), immediately upon written notice to Sublicensee.

3.3.2.5. a provision clarifying that, in the event of termination of the license set forth in Section 3.1 (in whole or in part (e.g., termination in a particular country)), any existing Sublicense agreement shall terminate to the extent of such terminated license, subject to TRDF's obligations under Section 11.3.1 to grant a direct license to the Sublicensee if the conditions set forth in Section 11.3.1 are met;

3.3.2.6. unless TRDF agrees otherwise pursuant to this Section 3.3.2.6, a provision prohibiting the Sublicensee from sublicensing its rights under such Sublicense agreement. Microbot may, subject to TRDF's prior written consent that will not unreasonably be withheld, include in the proposed Sublicense agreement a provision entitling the proposed Sublicensee to grant further Sublicenses, provided however that sublicensees of such Sublicensee shall be prohibited from further sublicensing their rights under such sublicense agreements without TRDF's prior written consent. If TRDF decides to reject Microbot's request to include such a provision, TRDF shall provide Microbot with written notice of such rejection within twenty-one (21) days of receipt of Microbot's request, which notice shall be accompanied by TRDF's written explanation for such rejection. If TRDF does not provide such notice within such twenty-one (21) day period, TRDF shall be deemed to have agreed to Microbot's request and Microbot shall be entitled to include provisions entitling the proposed Sublicensee to grant further Sublicenses. Any further Sublicenses will only be made in accordance with the provisions of this Section 3.3; and

3.3.3. Delivery of Sublicense Agreement. Microbot shall furnish TRDF with a copy of any such Sublicense agreement, and any amendments thereto, (including any Sublicense agreement pursuant to which a Sublicensee grants a further Sublicense pursuant to Section 3.3.2.6) to TRDF within sixty (60) days after execution thereof. Microbot may redact from such copies any technical information Microbot deems confidential that does not affect the obligations of Microbot under this Agreement or TRDF's ability to monitor Microbot's compliance with its obligations under this Agreement. TRDF shall keep any such copies of Sublicense agreements in its confidential files, shall not disclose such agreements or the contents thereof to any third party (except auditors or legal advisors of TRDF for the purpose set forth below), and shall use them solely for the purpose of monitoring Microbot's, its Affiliates' and Sublicensees' compliance with their obligations and enforcing TRDF's rights under this Agreement. For clarity, the full un-redacted versions of Sublicense agreements will be made available to the auditor appointed by TRDF in the case of an audit performed in accordance with Section 6.2.

3.3.4. Enforcement of Rights Under Sublicense Agreement.

3.3.4.1. Breach by Sublicensee. In the case of any act or omission by any Sublicensee that would have constituted a breach of this Agreement by Microbot entitling TRDF to terminate this Agreement had it been the act or omission of Microbot hereunder, Microbot will notify TRDF of such act or omission promptly after Microbot is informed thereof. Microbot and TRDF will discuss possible courses of action, including, if necessary, terminating such Sublicense agreement in accordance with the terms thereof if the breach is not cured within sixty (60) days. If such breach is not cured within such period and TRDF requests Microbot to terminate such Sublicense agreement, Microbot will do so. Any Sublicense agreement between Microbot and a Sublicensee will include Microbot's right to terminate the Sublicense agreement in case of such a breach by the Sublicensee. For clarity, if Microbot complies with the terms of this Section 3.3.4.1, TRDF will not have the right to terminate this Agreement on account of such breach by such Sublicensee.

3.3.4.2. Challenge of TRDF Patent Rights. If a Sublicensee commences a legal action in which it challenges the validity of any of the TRDF Patent Rights, Microbot will notify TRDF of such challenge promptly after Microbot is informed thereof. Microbot and TRDF will discuss possible courses of action, including, if necessary, terminating the Sublicense agreement specifically with respect to that entire specific family of TRDF Patent Rights which are being challenged, in whole or in part, by Sublicensee in such action (being either the entire family of Virob Patent Rights (excluding the Self-Cleaning Shunt Patent Rights), Self-Cleaning Shunt Patent Rights and/or TipCat Patent Rights, as applicable), If such challenge is not withdrawn within sixty days following such notice and TRDF requests Microbot to terminate such Sublicense agreement with respect to the specific family of Patent Rights which are being challenged, in whole or in part, Microbot will do so. For clarity, if Microbot complies with the terms of this Section 3,3.4.2, TRDF will not have the right to terminate any part of this Agreement on account of challenge by such Sublicensee.

3.3.5. TRDF Consent. Notwithstanding anything else to the contrary in this Agreement and without derogating from the provisions of Section 33.2 above, until achievement of Qualified Financing (as defined below) by Microbot, no Sublicense shall be granted under this Agreement without the prior written consent of TRDF thereto. For clarity, a Sublicense agreement pursuant to which the Sublicensee has an unconditional obligation to pay Microbot, within ninety days of the date of execution of such Sublicense Agreement amounts that are sufficient to cause Microbot to achieve the Qualified Financing threshold shall be deemed to have been granted after achievement of the Qualified Financing and Microbot will not be required to obtain TRDF's prior written consent with respect thereto. For clarity, Microbot will not be required to obtain TRDF's prior written consent for the grant to a third party of a right to negotiate for a Sublicense, if such grant does not provide such third party with the right to exercise such option into an actual license/sublicense without such negotiation and mutual agreement to the terms of a license/sublicense.

3.3.6. Microbot's Obligations under this Agreement. Microbot shall remain fully liable for the performance of its and its Affiliate's and subcontractor's obligations under this Agreement and no Sublicense shall relieve Microbot of any of its obligations under this Agreement.

3.3.7. No Other Grant of Rights. Other than as specifically set forth in Subsections 3.2 and 3.3 above and Section 8 below, Microbot shall not be entitled to grant, directly or indirectly, to any person or entity any rights under the rights granted to Microbot under this Agreement.

3.4. Improvements. TRDF shall promptly provide Microbot with written notice of the filing of any patent application disclosing or claiming an Improvement (each, an "Improvement Notice") that is filed at any time prior to the third anniversary of the Effective Date. Microbot will have ninety (90) days from the date of its receipt of an Improvement Notice to request in writing a license under any Improvement Patent Rights relating to such Improvement. If Microbot notifies TRDF that it wishes such Improvement Patent Rights to be included in this Agreement, this Agreement shall be amended to include such Improvement Patent Rights in the definition of Licensed Patent Rights. The financial terms of this Agreement (e.g. royalty payments and payments on account of Sublicense Income) will apply to the amended license.

4. Development and Commercialization.

4.1. Diligence. Microbot shall use commercially reasonable efforts, including funding consistent therewith, and/or shall cause its Affiliates or Sublicensees to use commercially reasonable efforts, including funding consistent therewith, (a) to develop Licensed Products in accordance with the Development Plan; (b) to introduce Licensed Products into the commercial market; and (c) to market Licensed Products following such introduction into the market. In addition, Microbot, by itself or through its Affiliates or Sublicensees, shall achieve each of the Development Milestones within the time periods specified in Exhibit A.

4.2. Modification of Development Plan. Microbot may make, from time to time, such adjustments to the then applicable Development Plan as Microbot believes, in its good faith judgment, are needed or desirable in order to ensure Microbot's ability to achieve the Development Milestones. Notwithstanding the aforesaid, Microbot shall not be entitled to change the Development Milestones or the time frames for achieving the Development Milestones without the prior written consent of TRDF thereto, except in accordance with the provisions of Section 4.5.

4.3. Review Meetings. Until such time as Microbot has achieved all Development Milestones, at TRDF's request, not more than once per calendar quarter, a Microbot senior officer, Prof. Shoham, and a TRDF representative shall conduct review meetings (which may be in person, by video conference and/or by teleconference) (a) to review the progress being made under the Development Plan and the progress being made in any other research and development activities conducted by Microbot or on its behalf and relating to the Licensed Technology and (b) to review the progress and efforts being made towards accomplishing the Development Milestones.

4.4. Reporting. Within sixty (60) days after (a) the end of each six-month period prior to the achievement of all Development Milestones and (b) the end of each calendar year after the achievement of all Development Milestones, Microbot shall furnish TRDF with a written report summarizing its, its Affiliates' and its Sublicensees' efforts during the prior six-month or one-year period, as applicable, to develop and commercialize Licensed Products, including without limitation: (a) research and development activities; and (b) commercialization efforts and results. Each report shall contain a sufficient level of detail for TRDF to assess whether Microbot is in compliance with its obligations under Section 4.1 and a discussion of intended efforts for the then forthcoming year. Together with each report, Microbot shall provide TRDF with a copy of the then current Development Plan. In addition, prior to the attainment of the Funding Threshold (as defined in Section 5.1.1.4) and of the Qualified Financing (as defined in Section 11.2.4), such report will set forth funding received by Microbot through the end of the period covered by such report that qualifies for purposes of achievement of the Funding Threshold or of the Qualified Financing. The first report shall refer to the period ending December 31, 2012.

4.5. Failure to Meet Development Milestone.

4.5.1. If Microbot fails to meet the Development Milestone(s) within the timetable set forth therefore, TRDF will be entitled to terminate the license granted under Section 3 with respect to the Virob Patent Rights (if the failure relates to a Virob Development Milestone) or the TipCat Patent Rights (if the failure relates to a Tipcat Milestone), as applicable. For clarity, if TRDF exercises such option to terminate the license with respect to the Virob Patent Rights or Tipcat Patent Rights, as applicable, this Agreement shall not be terminated in its entirety; instead, such patent rights with respect to which Microbot failed to meet the Development Milestone (i.e. Virob Patent Rights or Tipcat Patent Rights, as applicable) shall be removed from the definition of TRDF Patent Rights.

4.5.2. TRDF's rights under this Section 4.5 shall be TRDF's sole and exclusive remedy in respect of Microbot's failure to meet its obligations with respect to Development Milestones, and Microbot shall have no further liability in respect of its failure to meet its obligations with respect to Development Milestones.

5. Consideration for Grant of License.

5.1. Equity Consideration.

5.1.1. Definitions. For the purpose of this section, the following terms shall have the following definitions:

5.1.1.1. "**Additional Securities**" means shares of capital, convertible securities, warrants, options or other rights to subscribe for, purchase or acquire from Microbot any shares of Microbot, other than Excluded Securities.

5.1.1.2. "**Excluded Securities**" means:

(a) any shares or options granted to employees or consultants of Microbot pursuant to an incentive plan and any shares issuable upon exercise of any such options constituting in the aggregate no more than twenty percent (20%) of Microbot's share capital on a fully diluted basis immediately following the grant of the Initial License Shares; and

(b) any shares issued to shareholders of the Company, on a pro rata basis, in connection with a reorganization of Company's capital.

5.1.1.3. "**Fully Diluted Basis**" means, as of a specified date, the number of ordinary shares of Microbot then outstanding (assuming conversion of all outstanding shares other than ordinary shares into ordinary shares) plus the number of ordinary shares of Microbot issuable upon exercise or conversion of then outstanding convertible securities, options, rights or warrants of Microbot (which shall be determined without regard to whether such securities are then vested, exercisable or convertible), but excluding Excluded Securities.

5.1.1.4. "**Funding Threshold**" means total funding of three (3) million U.S. Dollars ($3,000,000) from any source, including, without limitation, equity investments, convertible loans, grants, sponsored research and revenues, obtained by Microbot since its formation, provided that at least $2,500,000 of such amount must be in funding that (a) is not earmarked specifically for research involving a technology platform that would not lead to Licensed Products and (b) does not provide the funder rights in intellectual property rights owned or in-licensed by Microbot, other than reasonable, time-limited rights to negotiate a license agreement with respect to such intellectual property rights.

5.1.1.5. "**License Shares**" means the Initial License Shares (as defined in Section 5.1.2) and any additional shares that may be granted to TRDF in accordance with Section 5,1.4, but excluding those shares held by TRDF constituting 28% of Microbot's issued share capital, as reflected in the Cap Table.

5.1.2. Initial Grant. As partial consideration for the licenses granted hereunder, within thirty (30) days following the Effective Date, Microbot shall issue to TRDF 135,000 Ordinary Shares of Microbot (representing three percent (3%) of the issued and outstanding shares of Microbot, on a Fully Diluted Basis, immediately following such issuance) (collectively, the "Initial License Shares") and shall provide TRDF no later than such time a share certificate and an updated shareholder registrar, evidencing such issuance.

5.1.3. Representations and Warranties. Microbot hereby represents and warrants to TRDF that:

5.1.3.1. the capitalization table attached hereto as Exhibit H (the "Cap Table") sets forth all of the outstanding capital of Microbot on a Fully-Diluted Basis as of the Effective Date, including the shares issued to Technion on account of Professor Shoham's involvement as a founder of Microbot;

5.1.3.2. other than as set forth in the Cap Table and except for the preemptive rights and rights of first refusal under the Articles, as of the Effective Date, there are no outstanding shares, convertible securities, outstanding warrants, options or other rights to subscribe for, purchase or acquire from Microbot any shares of Microbot and there are no contracts or binding commitments providing for the issuance of, or the granting of rights (including, without limitation, conversion rights, preemptive rights, anti-dilution rights, and rights of first refusal) to acquire, any shares of Microbot or under which Microbot is, or may become, obligated to issue any of its securities; and

5.1.3.3. the License Shares shall, upon such issuance pursuant to the terms hereof, be duly authorized, validly issued, fully paid and nonassessable, and will be free of all taxes, liens, charges, encumbrances, or other third-party rights, and restrictions on transfer, except as set forth in Microbot's Articles of Association and applicable law, and will have the rights, preferences, privileges, and restrictions set forth in the Articles.

5.1.3.4. as of the Effective Date, the Articles of Association of Microbot are in the form attached hereto as Exhibit I.

5.1.4. Anti-Dilution. If, at any time, prior to the achievement of the Funding Threshold, Microbot issues Additional Securities that would cause the License Shares to represent less than three percent (3%) of Microbot's outstanding shares on a Fully-Diluted Basis, Microbot shall issue TRDF additional Ordinary Shares such that the License Shares shall represent three percent (3%) of the outstanding shares of Microbot, on a Fully Diluted Basis, as calculated after giving effect to the anti-dilutive issuance. Any issuances of such additional shares shall be in partial consideration for the licenses granted under the Agreement and TRDF shall not be required to pay any further consideration for such shares. Such issuances shall continue until such time as Microbot has achieved the Funding Threshold. For the avoidance of doubt, if any funding round achieves and supersedes the Funding Threshold, then TRDF shall be entitled to anti-dilutive issuance as aforesaid with respect to such part of the funding that satisfies the Funding Threshold, but will not be entitled to any anti-dilutive issuances with respect to amounts in excess of the Funding Threshold. In addition and without derogating from the aforesaid or from any preemptive right to which TRDF may be entitled, for so long as the above anti-dilution right is in effect, TRDF shall have the right to participate in any future round of investment and to purchase in such round shares of Microbot, of the type issued in the framework of such round (and at the same price per share), in an amount as shall be required to maintain TRDFs 3% ownership in License Shares, on a Fully Diluted Basis, or in any lesser amount as shall be determined by TRDF.

5.1.5. Right to Appoint an Observer. Until achievement of the Funding Threshold, TRDF shall be entitled to designate one observer ("Observer") to attend all meetings of Microbot's Board of Directors, or any committees thereof, in a nonvoting observer capacity. Microbot reserves the right to, and may exclude the Observer from any Board of Directors meeting or portion thereof if (a) the Board of Directors determines, in its reasonable discretion, that attendance by the Observer could conflict with the Board of Director's fiduciary obligations to Microbot or, (b) in the judgment of the Microbot's counsel, attendance by the Observer could adversely affect the attorney-client privilege between Microbot and its counsel or (c) the Board of Directors determines, in its reasonable discretion, that attendance by the Observer could place the Observer in a conflict of interest with Microbot. The Observer shall be given copies of all notices, minutes, and consents of Microbot's Board of Directors meetings, and other materials that are provided to the members of the Board of Directors of Microbot in connection with Board of Directors Meetings; provided that Microbot may redact from any such material information that (a) in the judgment of the Microbot's counsel could adversely effect the attorney-client privilege between Microbot and its counsel or (b) could place the Observer in a conflict of interest with Microbot. The Observer shall sign a confidentiality agreement, in a form reasonably acceptable to Microbot, to cover information distributed to Observer and information disclosed in Microbot's Board of Directors' meetings.

5.2. Royalties

5.2.1. Net Sales. As partial consideration for the license granted hereunder, Microbot shall pay TRDF the following royalties, subject to Sections 5.2.3 and 5.3:

5.2.1.1. an amount equal to three percent (3%) of Net Sales, if the Licensed Product sold is covered by a Valid Claim in the country in which such Licensed Product is made and/or in the country in which such Licensed Product is sold; and

5.2.1.2. an amount equal to one and a half percent (1.5%) of Net Sales, if the Licensed Product is not covered by a Valid Claim in the country in which such Licensed Product is made and is not covered by a Valid Claim in the country in which such Licensed Product is sold.

5.2.2. Sublicense Income. As partial consideration for the licenses granted hereunder, Microbot shall pay TRDF the following royalties on all Sublicense Income, subject to Sections 5.2.3 and 5.3:

5.2.2.1. If the Sublicense is granted before the earlier of (a) first testing on human in a clinical trial and (b) the receipt of approval in the case of a 510K route that does not require clinical studies, Microbot shall pay an amount equal to twenty percent (20%) of all Sublicense Income with respect to such Sublicense;

5.2.2.2. If the Sublicense is granted (a) after first in human, but before regulatory approval in the case of a PMA or de novo 510K (i.e. requiring clinical studies) route or (b) after regulatory approval in the case of a 510K route that does not require clinical trials, Microbot shall pay an amount equal to fifteen percent (15%) of all Sublicense Income with respect to such Sublicense; and

5.2.2.3. If the Sublicense is granted after regulatory approval in the case of a PMA or a de novo 510K (i.e. requiring clinical studies) route, Microbot shall pay an amount equal to twelve percent (12%) of all Sublicense Income with respect to such Sublicense.

5.2.3. Notwithstanding the foregoing, if (i) a Licensed Product is not covered by a Valid Claim within the TRDF Patent Rights or (ii) a Sublicense does not include a sublicense under the TRDF Patent Rights, the royalty rates set forth in Sections 5.2.1 and 5.2.2 above will be reduced as follows:

5.2.3.1. if (i) the Licensed Product is covered by a Valid Claim within the Shoham Patent Rights or (ii) the Sublicense includes a sublicense under the Shoham Patent Rights, the royalty rate set forth in Sections 5.2.1 or 5.2.2, as applicable, will be reduced by thirty-three percent (33%); and

5.2.3.2. if (1) the Licensed Product is not covered by a Valid Claim within the Shoham Patent Rights or (ii) the Sublicense does not include a sublicense under the Shoham Patent Rights, the royalty rate set forth in Sections 5.2.1 or 5.2.2, as applicable, will be reduced by sixty-seven percent (67%).

5.3. Third Party Royalties. If, after arm's length negotiations, Microbot enters into a license agreement with an unaffiliated third party for the license of intellectual property rights that Microbot reasonably believes (based on discussions with Microbot's patent lawyer) are needed for the making, using or selling of a Licensed Product with respect to which royalties are due pursuant to Section 5.2 or that may be subject to a Sublicense agreement with respect to which royalties are due pursuant to Section 5.2, Microbot will be entitled to offset 50% of any amounts paid under such license agreement with respect to such Licensed Products or Sublicense against royalty payments that are due under Section 5.2; provided that in no event shall any royalty payments to TRDF be reduced by more than fifty percent (50%) of the amount otherwise due under Section 5.2.

6. Reports; Payments; Records.

6.1. Reports and Payments.

6.1.1. Reports. Within forty five (45) days after the conclusion of each Calendar Quarter commencing with the first Calendar Quarter in which Net Sales are generated or Sublicense Income is received, Microbot shall deliver to TRDF a report containing the following information:

6.1.1.1. the number of units of Licensed Products sold, leased or otherwise transferred by Microbot and its Affiliates for the applicable Calendar Quarter, separately itemized according to the Licensed Product and type of License Technology to which such Licensed Product is subject, country by country break down;

6.1.1.2. the gross amounts and other consideration received, billed or invoiced by Microbot and its Affiliates for Licensed Products sold, leased or otherwise transferred or provided by Microbot and its Affiliates during the applicable Calendar Quarter;

6.1.1.3. a calculation of Net Sales for the applicable Calendar Quarter, separately itemized according to the Licensed Product and type of License Technology to which such Licensed Product is subject, country by country and selling

entity break down, and including an itemized listing of applicable deductions and a calculation of the amount payable to TRDF thereon;

6.1.1.4. a detailed accounting of all Sublicense Income received during the applicable Calendar Quarter, including an explanation of the basis for such Sublicense Income; and

6.1.1.5. the total amount payable to TRDF in U.S. Dollars on Net Sales and Sublicense Income for the applicable Calendar Quarter, together with the exchange rates used for conversion.

Each such report shall be certified by a senior officer of Microbot on behalf of Microbot (or of the division that is responsible for Licensed Products in the event Microbot or its assets are sold to a multi-national corporation) as true, correct and complete in all material respects. If no amounts are due to TRDF for a particular Calendar Quarter, the report shall so state.

6.1.2. Payment. Within forty five (45) days after the end of each Calendar Quarter, Microbot shall pay TRDF all amounts due with respect to Net Sales and Sublicense Income for the applicable Calendar Quarter, against receipt of a valid VAT invoice/receipt.

6.1.3. Payment Currency. All payments due under this Agreement will be paid in U.S. Dollars. Conversion of foreign currency to U.S. Dollars will be made at the conversion rate existing in the United States (as reported in the Wall Street Journal) on the last working day of the applicable Calendar Quarter. Such payments will be without deduction of exchange, collection or other charges.

6.2. Records. Microbot shall maintain, shall cause its Affiliates to maintain and shall ensure that Sublicensees agree to maintain, complete and accurate records of Licensed Products that are made, used, sold, leased or otherwise transferred under this Agreement, any amounts payable to TRDF in relation to such Licensed Products, and all Sublicense Income received by Microbot and its Affiliates, which records shall include sufficient information to permit TRDF to confirm the accuracy of any reports or notifications delivered to TRDF under Section 6.1. Microbot and/or its Affiliates and/or its Sublicensees, as applicable, shall retain such records relating to a given Calendar Quarter for at least three (3) years after the conclusion of that Calendar Quarter, during which time TRDF shall have the right, at its expense, to cause an independent, certified public accountant (or, in the event of a non-financial audit, other appropriate auditor) to inspect such records of Microbot and its Affiliates during normal business hours for the purposes of verifying the accuracy of any reports and payments delivered under this Agreement and Microbot's compliance with the terms hereof; provided in each case, that such accountant or other auditor, as applicable, signs a confidentiality and non-use agreement in a form acceptable to Microbot, in its reasonable discretion. Such accountant or other auditor, as applicable, shall not disclose to TRDF any information other than information relating to the accuracy of reports and payments delivered under this Agreement. The parties shall reconcile any underpayment or overpayment within thirty (30) days after the accountant delivers the results of the audit. In the event that any audit performed under this Section 6.2 reveals an underpayment in excess of five percent (5%) in any calendar year, the audited entity shall bear the full cost of such audit. TRDF may exercise its rights under this Section 6.2 only once every year per audited entity and only with reasonable prior notice to the audited entity. With respect to Sublicensees, TRDF may request such an audit be conducted for any Sublicensee, in which event, Microbot shall conduct such audit, at TRDF's expense, no later than 30 days following such request, pursuant to the terms hereinabove, which shall apply *mutatis mutandis* to such audit (including reimbursement of the expense of such audit by the Sublicensee if the audit reveals an underpayment in excess of 5%), and shall provide TRDF with the results of any such audit.

6.3. Late Payments. Any payments by Microbot that are not paid on or before the date such payments are due under this Agreement shall bear interest at the rate of eight percent (8%) per annum. Interest shall accrue beginning on the first day following the due date for payment and shall be compounded quarterly. Payment of such interest by Microbot shall not limit, in any way, TRDF's right to exercise any other remedies TRDF may have as a consequence of the lateness of any payment.

6.4. Payment Method. Each payment due to TRDF under this Agreement shall be paid by check or wire transfer of funds to TRDF's account in accordance with written instructions provided by TRDF. If made by wire transfer, such payments shall be marked so as to refer to this Agreement.

6.5. VAT; Withholding Taxes.

6.5.1. All amounts to be paid to TRDF pursuant to this Agreement are exclusive of value added tax. Microbot shall add value added tax, if and to the extent required by law, to all such amounts.

6.5.2. If Microbot is required to withhold any amounts payable hereunder to TRDF due to the applicable laws of any country, and unless TRDF provides Microbot an authorization from the relevant tax authorities not to do so, such amount will be deducted from the payment to be made by Microbot and remitted to the appropriate taxing authority for the benefit of TRDF. Microbot will withhold only such amounts as are required to be withheld by applicable law in the country from which payment is being made. Microbot shall submit to TRDF originals of the remittance voucher and the official receipt evidencing the payment of the corresponding taxes with the applicable royalty report. Microbot will cooperate with TRDF to provide such information and records as TRDF may require in connection with any application by TRDF to the tax authorities in any country, including attempt to obtain an exemption or a credit for any withholding tax paid in any country.

7. Patent Filing, Prosecution and Maintenance.

7.1. TRDF Patent Rights.

7.1.1. Control. TRDF shall be responsible for the preparation, filing, prosecution, protection and maintenance of all TRDF Patent Rights. TRDF shall: (a) use independent patent counsel reasonably acceptable to Microbot; (b) instruct such patent counsel to furnish Microbot with copies of all material correspondence relating to the TRDF Patent Rights from the United States Patent and Trademark Office (USPTO) and any other patent office, as well as copies of all material proposed responses to such correspondence in time for Microbot to review and comment on each such response; (c) give Microbot an opportunity to review and comment on the text of each patent application within the TRDF Patent Rights before filing; (d) supply Microbot with a copy of such application as filed, together with notice of its filing date and serial number; and (e) at Microbot's request, keep Microbot advised of the status of actual and prospective patent filings within the TRDF Patent Rights. At Microbot's request, TRDF shall give Microbot the opportunity to provide comments on and make requests of TRDF concerning the preparation, filing, prosecution, protection and maintenance of the TRDF Patent Rights, and shall consider such comments and requests in good faith.

7.1.2. **Expenses**. Subject to Section 7.1.3, Microbot will pay for all out-of-pocket expenses incurred by TRDF following the Effective Date in the preparation, filing, prosecution, protection and maintenance of the Patent Rights under Section 7.1.1, within thirty (30) days after the date of each invoice from TRDF for such expenses. In addition, Microbot shall pay TRDF a total of $102,000 as reimbursement for all documented, out-of-pocket expenses incurred by TRDF prior to the execution of this Agreement with respect to the preparation, filing, prosecution, protection and maintenance of TRDF Patent Rights, as follows:

7.1.2.1. $12,500 within six months following the Effective Date;

7.1.2.2. $18,700 within twelve months following the Effective Date; and

7.1.2.3. $70,800 within twenty-four months following the Effective Date.

7.1.3. **Abandonment**. If Microbot decides that it does not wish to pay for the preparation, filing, prosecution, protection or maintenance of any TRDF Patent Rights in a particular country ("**Abandoned Patent Rights**"), Microbot shall provide TRDF with prompt written notice of such election, specifying the country(ies) with respect to which it shall no longer pay for such Abandoned Patent Rights. Upon receipt of such notice by TRDF, Microbot shall be released from its obligation to reimburse TRDF for the expenses incurred thereafter as to such Abandoned Patent Rights; provided, however, that expenses authorized prior to the receipt by TRDF of such notice shall be deemed incurred prior to the notice. In such event, any license granted by TRDF to Microbot hereunder with respect to such Abandoned Patent Rights will terminate.

7.2. **Shoham Patent Rights and Joint Patent Rights**. Microbot shall be responsible, at its discretion and expense, for the preparation, filing, prosecution, protection and maintenance of all Shoham Patent Rights and Joint Patent Rights. Microbot shall: (a) instruct patent counsel to furnish TRDF with copies of all material correspondence relating to the Shoham Patent Rights or Joint Patent Rights from the United States Patent and Trademark Office (USPTO) and any other patent office, as well as copies of all material proposed responses to such correspondence in time for TRDF to review and comment on each such response; (b) give TRDF an opportunity to review and comment on the text of each patent application within the Shoham Patent Rights or Joint Patent Rights before filing; (c) supply TRDF with a copy of each such application as filed, together with notice of its filing date and serial number; and (d) at TRDF's request, keep TRDF advised of the status of actual and prospective patent filings within the Shoham Patent Rights or Joint Patent Rights. At TRDF's request, Microbot shall give TRDF the opportunity to provide comments on and make requests of Microbot concerning the preparation, filing, prosecution, protection and maintenance of the Shoham Patent Rights and Joint Patent Rights, and shall consider such comments and requests in good faith.

If Microbot does not file, prosecute, protect or maintain any of the Shoham Patent Rights and/or Joint Patent Rights in a particular country, TRDF may provide Microbot with written notice that it would like to do so at its own cost and expense. Such notice will include the name the relevant country(ies). TRDF will be entitled to take over such filing, prosecution, protection or maintenance of such Shoham Patent Rights and/or Joint Patent Rights in such country, unless Microbot provides TRDF within 90 days of receipt of such written notice from TRDF with written notice that Microbot either (a) intends to take such action on its own behalf and provided that Microbot takes substantial action to that effect within twelve (12) months of such notice from Microbot, or (b) intends to protect such rights as trade secrets.

8. Enforcement of Patent Rights.

8.1. Notice. In the event either party becomes aware of any possible or actual infringement of any of the Licensed Patent Rights (an "**Infringement**"), that party shall promptly notify the other party in writing and provide it with details regarding such Infringement.

8.2. Suit by Microbot. Microbot shall have the first right, but not the obligation, to take action in the prosecution, prevention, or termination of any Infringement. Before Microbot commences an action with respect to any Infringement, Microbot shall consider in good faith the views of TRDF and potential effects on the public interest in making its decision whether to sue. Should Microbot elect to bring suit against an infringer, Microbot shall keep TRDF reasonably informed of the progress of the action and shall give TRDF a reasonable opportunity in advance to consult with Microbot and offer its views about major decisions affecting the litigation. Microbot shall give careful consideration to those views, but shall have the right to control the action; provided, however, that if Microbot fails to defend in good faith the validity and/or enforceability of TRDF Patent Rights in the action, or if Microbot's license to TRDF Patent Rights in the suit terminates, TRDF may elect to take control of the action pursuant to Section 83. Should Microbot elect to bring suit against an infringer and TRDF is joined as party plaintiff in any such suit, TRDF shall have the right to approve the counsel selected by Microbot to represent Microbot and TRDF, such approval not to be unreasonably withheld. The expenses of such suit or suits that Microbot elects to bring, including any expenses of TRDF incurred in conjunction with the prosecution of such suits or the settlement thereof, shall be paid for entirely by Microbot and Microbot shall hold TRDF free, clear and harmless from and against any and all costs of such litigation, including attorney's fees. Microbot shall not compromise or settle such litigation without the prior written consent of TRDF, which consent shall not be unreasonably withheld or delayed. In the event Microbot exercises its right to sue pursuant to this Section 8.2, it shall first reimburse itself out of any sums recovered in such suit or in settlement thereof for all costs and expenses of every kind and character, including reasonable attorney's fees, necessarily incurred in the prosecution of any such suit. If, after such reimbursement, any funds shall remain from said recovery, then TRDF shall receive an amount (a) equal to fifteen percent (15%) of such remaining amounts if the Infringed patent rights are TRDF Patent Rights, (b) equal to ten percent (10%) of such remaining amounts if the Infringed patent rights are Shoham Patent Rights and (c) equal to five percent (5%) of such amounts if the Infringed patent rights are Joint Patent Rights. Microbot shall retain any amount remaining after such payment to TRDF.

8.3. Suit by TRDF. If Microbot does not take action in the prosecution, prevention, or termination of any Infringement relating to Licensed Patent Rights pursuant to Section 8.2 above, and has not commenced negotiations with the infringer for the discontinuance of said Infringement, within ninety (90) days after receipt of notice to Microbot by TRDF of the existence of such Infringement, TRDF may elect to do so. Should TRDF elect to bring suit against an infringer with respect to such an Infringement and Microbot is joined as party plaintiff in any such suit, Microbot shall have the right to approve the counsel selected by TRDF to represent TRDF and Microbot, such approval not to be unreasonably withheld. The expenses of such suit or suits that TRDF elects to bring, including any expenses of Microbot incurred in conjunction with the prosecution of such suits or the settlement thereof, shall be paid for entirely by TRDF and TRDF shall hold Microbot free, clear and harmless from and against any and all costs of such litigation, including attorney's fees. TRDF shall not compromise or settle such litigation without the prior written consent of Microbot, which consent shall not be unreasonably withheld or delayed. In the event TRDF exercises its right to sue pursuant to this Section 8.3, it shall first reimburse itself out of any sums recovered in such suit or in settlement thereof for all costs and expenses of every kind and character, including reasonable attorney's fees, necessarily incurred in the prosecution of any such suit. If, after such reimbursement, any funds shall remain from said recovery, then Microbot shall receive an amount (a) equal to fifteen percent (15%) of such remaining amounts if the Infringed patent rights are TRDF Patent Rights, (b) equal to thirty five percent (35%) of such remaining amounts if the Infringed patent rights are Shoham Patent Rights, (c) and equal to fifty percent (50%) of such amount if the Infringed patent rights are Joint Patent Rights. TRDF shall retain any amounts remaining after such payment to Microbot.

8.4. Own Counsel. Each party shall always have the right to be represented by counsel of its own selection and at its own expense in any suit instituted under this Article 8 by the other party for Infringement.

8.5. Cooperation. Each party agrees to cooperate fully in any action under this Article 8 that is controlled by the other party, provided that the controlling party reimburses the cooperating party promptly for any costs and expenses incurred by the cooperating party in connection with providing such assistance.

8.6. Standing. If a party lacks standing and the other party has standing to bring any such suit, action or proceeding, then such other party shall do so at the request of and at the expense of the party that lacks standing.

9. Warranties; Limitation of Liability.

9.1. Authority. Each Party hereby represents and warrants that it has the power and authority to execute and deliver this Agreement, and to perform its obligations hereunder, and that the execution, delivery and performance by it of this Agreement and its compliance with the terms and provisions hereof do not and will not conflict with or result in a breach of any of the terms or provisions of or constitute a default under: (i) any other right or obligation provided under any other agreement or obligation that it has with any third party; (ii) the provisions of its charter documents; or (iii) any order, writ, injunction or decree of any court or governmental authority entered against it or by which any of its property is bound.

9.2. TRDF Representations and Warranties. TRDF hereby represents, warrants and undertakes to Microbot as follows:

9.2.1. As of the Effective Date, all persons listed as inventors on the TRDF Patent Rights, other than Dr. Zaaroor who is listed as one of the inventors of the Self Cleaning Shunt Patent Rights, have assigned their rights in the inventions described in the TRDF Patent Rights to TRDF and are required to do so by Technion policies;

9.2.2. TRDF has not granted and undertakes not to grant during the term hereof any rights that are inconsistent with the rights granted to Microbot under this Agreement; and

9.2.3. It has no actual knowledge, as of the date hereof, of any pending legal suit or proceeding against the Technion or TRDF by a third party contesting the ownership or validity of the TRDF Patent Rights or claiming that the practice of the inventions claimed in the TRDF Patent Rights will infringe the rights of a third party.

9.3. Microbot Representations, Warranties and Covenants. Microbot represents, warrants and covenants that it will comply, and will ensure that its Affiliates comply, with all local, state, and international laws and regulations relating to the development, manufacture, use, sale, importation and provision of Licensed Products.

9.4. Disclaimer of Other Warranties.

9.4.1. NOTHING CONTAINED HEREIN SHALL BE DEEMED TO BE A WARRANTY BY EITHER PARTY, OR RAMBAM, THAT IT CAN OR WILL BE ABLE TO OBTAIN PA TENTS ON PATENT APPLICATIONS INCLUDED IN THE LICENSED PATENT RIGHTS, OR THAT ANY OF THE LICENSED PATENT RIGHTS WILL AFFORD ADEQUATE OR COMMERCIALLY WORTHWHILE PROTECTION. SPECIFICALLY, AND WITHOUT LIMITING THE FOREGOING, TRDF MAKES NO WARRANTY OR REPRESENTATION (A) REGARDING THE VALIDITY OR SCOPE OF THE LICENSED PATENT RIGHTS, OR (B) THAT THE EXPLOITATION OF THE LICENSED PATENT RIGHTS OR ANY LICENSED PRODUCT WILL NOT INFRINGE ANY PATENTS OR OTHER INTELLECTUAL PROPERTY OF ANY THIRD PARTY.

9.4.2. NEITHER PARTY, NOR RAMBAM, MAKES ANY WARRANTIES WHATSOEVER AS TO THE COMMERCIAL OR SCIENTIFIC VALUE OF THE LICENSED PATENT RIGHTS.

9.4.3. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER PARTY, NOR RAMBAM, MAKES ANY WARRANTY OF ANY KIND, INCLUDING BUT NOT LIMITED WITH RESPECT TO THE LICENSED PATENT RIGHTS, EXPRESS OR IMPLIED, AND HEREBY DISCLAIMS WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT, AND VALIDITY OF PATENT RIGHTS CLAIMS, WHETHER ISSUED OR PENDING, WITH RESPECT TO ANY AND ALL OF THE FOREGOING.

9.5. Limitation of Liability. Neither party, nor Rambam, will be liable to the other with respect to any subject matter of this Agreement under any contract, negligence, strict liability or other legal or equitable theory for (a) any indirect, incidental, consequential or punitive damages or lost profits or (b) cost of procurement of substitute goods, technology or services. In no event shall TRDF's liability to Microbot exceed an amount equal to the consideration received by TRDF under this Agreement plus the value of all Company equity issued to TRDF before or after the Effective Date (including amount received from the sale of such equity).

10. Indemnification.

10.1. Indemnity. Microbot shall indemnify, defend and hold harmless TRDF, the Technion, Rambam and their respective directors, governing board members, trustees, officers, faculty, professional staff, employees, students, and agents and their respective successors, heirs and assigns (collectively, the "Indemnitees") from and against any liability, damage, loss, cost, expense (including, without limitation, reasonable attorney's fees and other costs and expenses of litigation), or obligation of any kind or nature (collectively, "Claims"), incurred by or imposed upon the Indemnitees or any one of them in connection with any third party claims, suits, actions, demands, judgments, or other proceedings to the extent resulting, directly or indirectly, from the exercise of the license granted hereunder, or any use whatsoever of the Licensed Technology by Microbot, its Affiliates and Sublicensees, including, without limitation, (i) the practice of the licenses granted hereunder by Microbot, its Affiliates, Sublicensees, or its (or their) customers, (ii) the development, manufacture, testing, handling, storage, transportation, sale or use or other disposition of any Licensed Product by Microbot, its Affiliates and Sublicensees; (iii) the exploitation or use by Microbot, its Affiliates, or its Sublicensees of the Licensed Technology or any part thereof, (iv) any representation made or warranty given by Microbot, its Affiliates or its Sublicensees with respect to Licensed Products or to Licensed Technology and (v) any infringement claims relating to Licensed Products, except (in each case) to the extent caused by the gross negligence or willful misconduct of the Indemnitee(s). The foregoing indemnification undertaking shall extend, without limitation, to product liability claims and damages, and to claims, demands, liabilities, losses, costs and expenses attributed to death, personal injury or property damage, or to penalties imposed on account of the violation of any law, regulations or governmental requirement, or any other theory of liability.

10.2. Procedures. If any Indemnitee receives notice of any Claim, such Indemnitee shall, as promptly as is reasonably possible, give Microbot notice of such Claim; provided, however, that failure to give such notice promptly shall only relieve Microbot of any indemnification obligation it may have hereunder to the extent such failure prejudices the ability of Microbot to respond to or to defend the Indemnitee against such Claim. TRDF and Microbot shall consult and cooperate with each other regarding the response to and the defense of any such Claim and Microbot shall, upon its acknowledgment in writing of its obligation to indemnify the Indemnitee, be entitled to and shall assume the defense or represent the interests of the Indemnitee in respect of such Claim, that shall include the right to select and direct legal counsel and other consultants to appear in proceedings on behalf of the Indemnitee and to propose, accept or reject offers of settlement, all at its sole cost; provided, however, that no such settlement shall be made without the written consent of the Indemnitee, such consent not to be unreasonably withheld. Nothing herein shall prevent the Indemnitee from retaining its own counsel and participating in its own defense at its own cost and expense.

10.3. Insurance. Beginning with the commencement of clinical trials on human patients using Licensed Product by or on behalf of Microbot, its Affiliate or a Sublicensee, Microbot shall, at its sole cost and expense, procure and maintain insurance in an amount consistent with industry standards and which provides adequate coverage to fulfill any potential obligation to the Indemnitees under this Article 10, taking into consideration, among other things, the nature of the products commercialized. Such insurance shall be obtained from a reputable insurance company. TRDF, the Technion and, with respect to products covered by the Self Cleaning Shunt Patent Rights only, Rambam shall be added as additional insured parties under such insurance policy and the insurance shall include also the respective employees, faculty, other researchers, officers, directors and governors of TRDF and the Technion, and, with respect to products covered by the Self Cleaning Shunt Patent Rights only, of Rambam. The policy(ies) so issued shall include a "cross-liability" provision pursuant to which the insurance is deemed to be separate insurance for each named insured (without right of subrogation as against any of the insured under the policy, or any of their representatives, employees, officers, directors or anyone in their name) and shall further provide that the insurer will be obliged to notify TRDF in writing at least thirty (30) days in advance of the expiry or cancellation of the policy(ies). Microbot hereby undertakes to comply punctually with all obligations imposed upon it under such policy(ies), including without limitation the obligation to pay in full and punctually all premiums and other payments due under such policy(ies). Microbot shall submit to TRDF copies of the aforesaid insurance policy(ies) within 14 (fourteen) days of the date of issue of each such policy and provide TRDF, upon request, with written evidence of such insurance.

11. Term and Termination.

11.1. Term. The term of this Agreement shall commence on the Effective Date and, unless earlier terminated as provided in this Article 11, shall continue in full force and effect until the expiration of the last to expire Valid Claim.

11.2. Termination.

11.2.1. Without Cause. Microbot may terminate this Agreement at any time without cause upon sixty (60) days prior written notice to TRDF.

11.2.2. Termination for Default. In the event that either party commits a material breach of its obligations under this Agreement and fails to cure that breach within sixty (60) days after receiving written notice thereof, the other party may terminate this Agreement immediately upon written notice to the party in breach.

11.2.3. Partial Termination for Patent Challenge. If Microbot or an Affiliate of Microbot commences a legal action in which it challenges the validity of any of the TRDF Patent Rights, then TRDF may terminate this Agreement specifically with respect to the entire specific family of Patent Rights which are being challenged, in whole or in part, by Licensee in such action (being either the entire family of Virob Patent Rights (excluding the Self Cleaning Shunt Patent Rights), Self-Cleaning Shunt Patent Rights, and/or TipCat Patent Rights, as applicable), immediately upon written notice to Microbot.

11.2.4. Failure to Raise Capital. TRDF may terminate this Agreement immediately upon written notice to Microbot if Microbot fails to raise, from the time of its formation till the first anniversary of the Effective Date, funds in an aggregate amount of at least $700,000, from any source (including, without limitation, equity investments, convertible loans, grants, sponsored research and revenues), which are available for research, development and/or commercialization activities relating to the technology platforms disclosed in the TipCat Patent Rights and/or the Virob Patent Rights ("**Qualified Financing**"). Microbot will provide written notice to TRDF in the event of such failure no later than 14 days following the first anniversary of the Effective Date. In order to exercise its rights under this Section 11.2.4, TRDF must provide such termination notice no later than forty-five (45) days following the receipt of such notice from Microbot. For clarity, if TRDF does not provide such notice within such forty-five day period, it will not be entitled to terminate this Agreement in accordance with the provisions of this Section 11.2.4.

11.2.5. Bankruptcy. Subject to the following sentence, TRDF may terminate this Agreement upon written notice to Microbot if Microbot is adjudged bankrupt, applies for judicial or extra-judicial settlement with its creditors, voluntarily files for bankruptcy, or in the event an involuntary bankruptcy action is filed against Microbot and not dismissed within ninety (90) days, or if Microbot otherwise discontinues business.

11.3. Effect of Termination.

11.3.1. Termination of Rights. Upon termination of this Agreement by either party (a) the rights and licenses granted to Microbot under Article 3 shall terminate and (b) any existing agreements that contain a Sublicense shall terminate to the extent of such Sublicense; provided, however, that, for each Sublicensee, upon termination of a Sublicense agreement, if the Sublicensee is not then in breach of the Sublicense agreement such that Microbot would have the right to terminate such Sublicense agreement, such Sublicensee shall have the right to obtain a license directly from TRDF on the same terms and conditions as set forth herein, except that (x) the scope of the license granted directly by TRDF to such Sublicensee shall be coextensive with the scope of the license granted by Microbot to such Sublicensee and (y) if there is more than one Sublicensee, each Sublicensee that is granted a direct license shall be responsible for only a pro rata share of the patent expense reimbursement due under this Agreement (based on the number of direct licenses under the TRDF Patent Rights in effect on the date of reimbursement). Each Sublicensee shall be deemed a third party beneficiary for purposes of this Section 11.3.1.

11.3.2. Accruing Obligations. Termination or expiration of this Agreement shall not relieve the parties of obligations accruing prior to such termination or expiration, including obligations to pay amounts accruing hereunder up to the date of termination or expiration.

11.3.3. Grant Back License.

11.3.3.1. License to Improvements. If Microbot terminates this Agreement without cause pursuant to Section 11.2.1 or TRDF terminates this Agreement in accordance with any of the provisions of Section 11.2 (and except in the case of assignment pursuant to Section 11.3.4), Microbot will, upon TRDF's first request, grant TRDF and shall cause its Affiliates to grant TRDF a non-exclusive, nontransferable, royalty-bearing license, with the right to sublicense, under Microbot's rights in Microbot Improvement Patent Rights (as defined below) solely to develop, make and have made, market, offer for sale, sell and import Licensed Products. If TRDF thereafter grants a sublicense under any of such Microbot Improvement Patent Rights, TRDF shall pay Microbot an amount equal to 10% of all Net Proceeds. The provisions of this Section 11.3.3 shall also apply with respect to partial termination of the license granted under Section 3 above pursuant to the provisions of Section 4.5 or 11.2.3 above, but only with respect to the specific family of TRDF Patent Rights with respect to which termination has occurred.

For purposes of this Section 11.3.3.1, the following terms shall have the following meanings:

(a) "Net. Proceeds" means all consideration received by TRDF in connection with a TRDF License (as defined below), including without limitation amounts received with respect to any Licensed Patent Rights included in such TRDF License, but specifically excluding: (i) any research grants and (ii) reimbursement for out of pocket patent expenses incurred by TRDF with respect to the Valid Claims licensed in such TRDF License which expenses have not been previously reimbursed;

(b) "Microbot Improvement Patent Rights" means any patents and patent applications owned or controlled by Microbot that claim an invention, the practice of which would fall within the scope of a Valid Claim within the TRDF Patent Rights (or, in the case of a partial termination of the license granted under Section 3 above pursuant to the provisions of Section 4.5 or 11.2.3 above, to that specific family of TRDF Patent Rights with respect to which termination has occurred (i.e. the entire family of Virob Patent Rights (excluding the Self Cleaning Shunt Patent Rights), Self-Cleaning Shunt Patent Rights, and/or TipCat Patent Rights, as applicable); and

(c) "TRDF License" means a license of or other grant of right (e.g. covenant not to sue) with respect to Microbot Improvement Patent Rights granted alone or in conjunction with other Licensed Patent Rights (whether in a single transaction or multiple related transactions).

11.3.3.2. Other Intellectual Property. If Microbot terminates this Agreement without cause pursuant to Section 11.2.1 or TRDF terminates this Agreement in accordance with any of the provisions of Section 11.2 and TRDF wishes to obtain a license or other rights with respect to intellectual property developed by Microbot with respect to Licensed Products that does not fall under the definition of Microbot Improvement Patent Rights, including in connection with any information regarding regulatory filings or the right to cross reference such regulatory filings made by Microbot, its Affiliates and/or Sublicensees with regard to the Licensed Products, TRDF may notify Microbot of such desire, which notice shall identify the relevant intellectual property and the rights TRDF wishes to obtain. Microbot agrees that if TRDF so notifies Microbot and Microbot is not prevented from granting such rights to TRDF by obligations to one or more third parties, Microbot will enter into good faith negotiations with TRDF in an attempt to reach an agreement on the terms under which Microbot shall grant rights in such intellectual property to TRDF.

11.3.4. Failure to Raise $700,000. Notwithstanding anything to the contrary in this Agreement, if TRDF terminates this Agreement pursuant to the provisions of Section 11.2.4 above, Microbot will promptly, and in any event within 60 days from written notice to such effect by TRDF, transfer and assign to TRDF Microbot's entire right, title, and interest in, to and under the Joint Inventions, the Joint Patent Rights and the Improvement Patent Rights (the "**Transferred Rights**") and shall execute all documents and take all actions required to effect such assignment in full. In consideration for such a transfer, TRDF shall pay Microbot an amount equal to 10% of all consideration received by TRDF in connection with a license or other grant of rights (e.g. covenant not to sue) with respect to the Transferred Rights, whether granted alone or in conjunction with other Licensed Patent Rights (whether in a single transaction or multiple related transactions), but specifically excluding (a) any research grants; and (b) reimbursement for out of pocket patent expenses incurred by TRDF with respect to the Valid Claims transferred, which expenses have not been previously reimbursed. Such amount to be paid by TRDF under this Section 11.2.4 will be capped at an amount equal to the lower of (i) the total amount of funding received by Microbot in equity investments, convertible loans and shareholder loans, that would have been counted as amounts transferred on account of a Qualified Financing, multiplied by two (2); or (ii) US $1,000,000.

11.3.5. Survival. The parties' respective rights, obligations and duties under Articles 2, 6 (except that the obligations with respect to Section 6.1 will only survive until delivery of the report for the Calendar Quarter in which expiration or termination occurred), 10 and 11 and Sections 5.1, 9.5, 12.1, 12.2, 12.4 and 12.5, as well as any rights, obligations and duties which by their nature extend beyond the expiration or termination of this Agreement, shall survive any expiration or termination of this Agreement.

12. Miscellaneous.

12.1. Confidentiality. TRDF shall keep confidential, not disclose to any third party and not use for any purpose other than monitoring Microbot's performance under this Agreement all reports, notices, documents and information (including information received in Review Meetings pursuant to Section 4.3) provided to TRDF by Microbot under this Agreement; provided, however, that TRDF may include in its annual reports totals derived from information received from Microbot (without attribution to Microbot) that show revenues generated by the patents and patent applications licensed under this Agreement; and provided further that the nondisclosure and non-use obligations shall not apply to any information that (a) is or becomes part of the public domain other than by breach by TRDF of this Section 12.1, or (b) is required to be disclosed by TRDF pursuant to interrogatories, requests for information or documents, subpoena, civil investigative demand issued by a court or governmental agency of competent jurisdiction or as otherwise required by law (provided that, in such case, TRDF shall notify Microbot promptly upon receipt thereof and give Microbot sufficient advance notice to permit it to seek a protective order or other similar order with respect to such information). To the extent that it is reasonably necessary, TRDF may disclose information it is otherwise obligated under this Section 12.1 not to disclose to (i) its employees and consultants on a need-to-know basis and on condition that such employees abide by the obligations set forth in this Section 12.1 and (ii) in confidence, to lawyers, accountants and financial advisors.

12.2. Use of Name. Microbot shall not, and shall ensure that its Affiliates shall not and shall stipulate in Sublicense agreements that Sublicensees shall not, use the name or insignia of the Technion or TRDF in any advertising, promotional or sales literature relating to the subject matter of this Agreement, without the prior written approval of TRDF. Notwithstanding the foregoing, Microbot may (a) make factual statement relating to the relationship of the parties and the fact that. Microbot is a licensee of the Licensed Patent Rights and (b) make such disclosures as are required by applicable law or regulations, in each case without the prior written approval of TRDF.

12.3. Entire Agreement. This Agreement is the sole agreement with respect to the subject matter hereof and except as expressly set forth herein, supersedes all other agreements and understandings between the parties with respect to the same.

12.4. Notices. Unless otherwise specifically provided, all notices required or permitted by this Agreement shall be in writing and may be delivered personally, or may be sent by facsimile, overnight delivery or certified mail, return receipt requested, to the following addresses, unless the parties are subsequently notified of any change of address in accordance with this Section 12.4:

If to Microbot: 147 Bar Yehuda Rd.
Nesher
Israel
Attn.: CEO

If to TRDF: Technion Research and Development
Foundation Ltd.
Technology Transfer Office
Technion City, Senate Bldg.
Technion City
Haifa 32000

Attn.: Manager

Any notice shall be deemed to have been received as follows: (a) by personal delivery, upon receipt; (b) by facsimile or overnight delivery, one business day after transmission or dispatch; (c) by certified mail, as evidenced by the return receipt. If notice is sent by facsimile, a confirming copy of the same shall be sent by mail to the same address.

12.5. Dispute Resolution.

12.5.1. Governing Law and Jurisdiction. This Agreement will be governed by, and construed in accordance with, the laws Israel, without giving effect to any choice or conflict of law provision, except that questions affecting the construction and effect of any patent shall be determined by the law of the country in which the patent shall have been granted. The parties hereby agree that, subject to Section 12.5.2, the competent court in Tel Aviv Israel shall have sole jurisdiction over any and all matters arising from this Agreement, except that TRDF may bring suit against Microbot in any other jurisdiction outside Israel in which Microbot has assets or a place of business.

12.5.2. Disputes Regarding Prof. Shoham Inventions.

(a) Any dispute between the parties regarding whether a particular invention, for which Prof. Shoham is an inventor, is a Shoham Invention (a "Dispute"), shall first be submitted to mediation. A Dispute shall be submitted to mediation by written notice from one party to the other party. In the mediation process, the parties will try to resolve their differences voluntarily with the aid of an impartial mediator, who will attempt to facilitate negotiations. The mediator will be selected by agreement of the parties. If the parties cannot agree on a mediator, the Israel Bar Association will designate a mediator at the request of a party. The mediation will be conducted as specified by the mediator and agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with the assistance of the mediator, to reach an amicable resolution of the dispute. The mediation will be treated as a settlement discussion and therefore will be confidential. The mediator may not testify for either party in any later proceeding relating to the dispute. No recording or transcript shall be made of the mediation proceedings. Each party will bear its own costs in the mediation. The mediation will be for a period of up to thirty (30) days, unless extended by the written agreement of the parties (the "Mediation Period"). The parties will share the fees and expenses of the mediator equally.

(b) If the parties are unable to resolve the Dispute during the Mediation Period, either party may notify the other in writing that it wishes the Dispute to be resolved by binding arbitration. In such case, the Dispute shall be referred for the decision of a single arbitrator who shall be appointed by agreement between the parties. If the parties do not reach agreement as to the arbitrator's identity, the arbitrator shall be appointed by the President of the Israel Bar Association upon the application of either of the parties. The arbitrator shall be released from the civil procedure and laws of evidence but shall be bound by the substantive laws of Israel. The arbitrator's decision shall be final and bind the parties.

12.6. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective legal representatives, successors and permitted assigns.

12.7. Headings. Section and subsection headings are inserted for convenience of reference only and do not form a part of this Agreement.

12.8. Counterparts. The parties may execute this Agreement in two or more counterparts, each of which shall be deemed an original.

12.9. Amendment; Waiver . This Agreement may be amended, modified, superseded or canceled, and any of the terms may be waived, only by a written instrument executed by each party or, in the case of waiver, by the party waiving compliance. The delay or failure of either party at any time or times to require performance of any provisions hereof shall in no manner affect the rights at a later time to enforce the same. No waiver by either party of any condition or of the breach of any term contained in this Agreement, whether by conduct, or otherwise, in any one or more instances, shall be deemed to be, or considered as, a further or continuing waiver of any such condition or of the breach of such term or any other term of this Agreement.

12.10. No Agency or Partnership. Nothing contained in this Agreement shall give either party the right to bind the other, or be deemed to constitute either party as agent for or partner of the other or any third party.

12.11. Assignment and Successors. This Agreement may not be assigned by either party without the consent of the other, which consent shall not be unreasonably withheld, except that each party may, without such consent, assign this Agreement and the rights, obligations and interests of such party to any of its Affiliates, or to any purchaser of all or substantially all of its assets, or of all or substantially all of its assets to which the subject matter of this Agreement relates, or to any successor corporation resulting from any merger or consolidation of such party with or into such corporation; provided (a) in each case, that the assignee agrees in writing to be bound by the terms of this Agreement and (b) in the case of an assignment of only the assets to which the subject matter of this Agreement relates (i.e. not the assignment of substantially all the assets of Microbot), if (i) in consideration for such sale Microbot has received consideration of at least Ten Million US Dollars $10,000,000; and (ii) the entity to which such assets are assigned had sales revenues of no less than US $100,000,000 in the calendar year preceding the date of assignment. Notwithstanding, prior to the achievement of the Qualified Financing, Microbot may not assign this agreement in whole or in part without TRDF's prior written approval. Any assignment purported or attempted to be made in violation of the terms of this Section 12.11 shall be null and void and of no legal effect.

12.12. Force Majeure. Neither party will be responsible for delays resulting from causes beyond the reasonable control of such party, including, without limitation, fire, explosion, flood, war, strike, or riot, provided that the nonperforming party uses commercially reasonable efforts to avoid or remove such causes of nonperformance and continues performance under this Agreement with reasonable dispatch whenever such causes are removed.

12.13. Interpretation. Each party hereto acknowledges and agrees that: (a) it and/or its counsel reviewed and negotiated the terms and provisions of this Agreement and has contributed to its revision; (b) the rule of construction to the effect that any ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement; and (c) the terms and provisions of this Agreement shall be construed fairly as to both parties hereto and not in favor of or against either party, regardless of which party was generally responsible for the preparation of this Agreement.

12.14. Severability. If any provision of this Agreement is or becomes invalid or is ruled invalid by any court of competent jurisdiction or is deemed unenforceable, it is the intention of the parties that the remainder of this Agreement shall not be affected.

[*Signatures on following page*]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the date first written above.

Technion Research and Development Foundation Ltd.		**Microbot Medical Ltd.**	
By:	*/s/ oded Shmueli*	By:	*/s/ Harel Gadot*
Name:	Prof. oded Shmueli	Name:	Harel Gadot
Title:	Managing Director	Title:	CEO

Rambam Declaration and Confirmation.

Rambam Health Corporation, formerly the Fund for Medical Research, Development of Infrastructure and Health Services - at Rambam Medical Center, a non-profit association formed under the laws of the State of Israel, with offices at 8 Ha'aliya St., Haifa, hereby declares and confirms that it has read and agrees to the terms of this Agreement and authorizes TRDF to grant Microbot an exclusive license under Rambam's interest in the Self-Cleaning Shunt Patent Rights in accordance with the terms of this Agreement subject to the provisions of the Law of Patents - 5727- 1967.

Rambam acknowledges that TRDF will be responsible for making payments due to Rambam, if any, in respect of the rights and licenses granted to Microbot hereunder with respect to the Self-Cleaning Shunt Patent Rights in accordance with arrangements between Rambam and TRDF with respect to the Self-Cleaning Shunt Patent Rights. Rambam agrees that, in no event, shall Microbot have any obligation to Rambam in respect of the licenses granted herein to Microbot, other than as specifically provided in this Agreement.

Rambam hereby, represents, warrant and covenants that: (a) Dr. Zaaroor has a assigned all of his rights in the inventions described in the Self Cleaning Shunt Patent Rights to Rambam; and (b) Rambam has not granted and undertakes not to grant during the term of this Agreement any rights under the Self Cleaning Shunt Patent Rights that are inconsistent with the rights granted to Microbot under this Agreement.

The Fund for Medical Research, Development of Infrastructure and Health Services -at Rambam Medical Center:

By: */s/*
Name:
Title:

EXHIBIT 21.1

MICROBOT MEDICAL INC.
SUBSIDIARIES OF REGISTRANT

SUBSIDIARY NAME	**STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION**
Microbot Medical Ltd.	Israel

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Harel Gadot, certify that:

1. I have reviewed this annual report on Form 10-K of Microbot Medical Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer 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 21, 2017

/S/ HAREL GADOT

Harel Gadot
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David Ben Naim, certify that:

1. I have reviewed this annual report on Form 10-K of Microbot Medical Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer 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 21, 2017

/S/ DAVID BEN NAIM

David Ben Naim
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Microbot Medical Inc. (the "Company") on Form 10-K for fiscal year ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, **Harel Gadot**, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the company.

/s/ HAREL GADOT
Harel Gadot
President and Chief Executive Officer
March 21, 2017

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Microbot Medical Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, **David Ben Naim**, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the company.

/s/ DAVID BEN NAIM

David Ben Naim
Chief Financial Officer
March 21, 2017