

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

AMENDMENT NO. 2 TO
FORM F-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PolyPid Ltd.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

State of Israel (State or other jurisdiction of incorporation or organization)	2834 (Primary Standard Industrial Classification Code Number)	Not Applicable (I.R.S. Employer Identification Number)
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(Address, including zip code, and telephone number, including
area code, of Registrant's principal executive offices)

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**Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this Registration Statement.**

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

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

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

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

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

Emerging growth company

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Proposed Maximum Aggregate Offering Price ⁽¹⁾	Amount of Registration Fee ⁽²⁾
Ordinary Shares, with no par value per share	\$61,093,750	\$7,930 ⁽³⁾

- (1) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended. Includes the ordinary shares that the underwriters have the option to purchase.
- (2) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price.
- (3) The registrant previously paid \$7,463.50 in connection with the initial filing of the Form F-1 (File No. 333-238978) on June 5, 2020.

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

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities, and we are not soliciting an offer to buy these securities, in any jurisdiction where an offer or sale is not permitted.

Subject to Completion, dated June 22, 2020

PROSPECTUS

3,125,000 Shares



PolyPid Ltd.

Ordinary Shares

PolyPid Ltd. is offering 3,125,000 ordinary shares. This is our initial public offering, and no public market currently exists for our ordinary shares. We anticipate that the initial public offering price will be between \$15.00 and \$17.00.

We have applied to list our ordinary shares on The Nasdaq Global Market under the symbol "PYPD."

We are an "emerging growth company" as that term is used in the Jumpstart Our Business Startups Act of 2012 and, as such, have elected to comply with certain reduced public company reporting requirements for this prospectus and future filings.

Investing in our ordinary shares involves risks. See "Risk Factors" beginning on page 13.

	<u>Per Ordinary Share</u>	<u>Total</u>
Price to public	\$	\$
Underwriting discounts and commissions ⁽¹⁾	\$	\$
Proceeds to us (before expenses)	\$	\$

(1) See "Underwriting" for a description of compensation payable to the underwriters.

Certain of our existing shareholders, including entities affiliated with certain of our directors and beneficial owners of greater than 5% of our share capital, have indicated an interest in purchasing up to an aggregate of \$27 million of ordinary shares in this offering at the initial public offering price per share. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters may determine to sell more, less or no shares in this offering to any of these shareholders, or any of these shareholders may determine to purchase more, less or no shares in this offering. The underwriters will receive the same underwriting discount on any shares purchased by these shareholders as they will on any other shares sold to the public in this offering.

The underwriters may also exercise their option to purchase up to an additional 468,750 ordinary shares from us at the initial public offering price, less underwriting discounts and commissions, for 30 days after the date of this prospectus. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities being offered by this prospectus, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ordinary shares to purchasers on _____, 2020.

Joint Bookrunning Managers

Barclays

BMO Capital Markets

Lead Manager

Raymond James

Co-Managers

National Securities Corporation

ODDO BHF

A.G.P.

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Neither we nor the underwriters have authorized anyone to provide you with information that is different from that contained in this prospectus, any amendment or supplement to this prospectus, or in any free writing prospectus we may authorize to be delivered or made available to you. Neither we nor the underwriters take responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We and the underwriters are offering to sell ordinary shares and seeking offers to purchase ordinary shares only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date on the front of this prospectus, regardless of the time of delivery of this prospectus or any sale of ordinary shares. Our business, financial condition, results of operations and prospects may have changed since the date on the front cover of this prospectus.

Through and including _____, 2020 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

Neither we nor any of the underwriters have taken any action to permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.

PolyPid and BonyPid are trademarks of ours that we use in this prospectus. This prospectus also includes trademarks, tradenames and service marks that are the property of other organizations. Solely for convenience, our trademarks and tradenames referred to in this prospectus appear without the ® or ™ symbols, but those references are not intended to indicate, in any way, that we will not assert,

to the fullest extent under applicable law, our rights, or the right of the applicable licensor to our trademark and tradenames.

The terms "shekel," "Israeli shekel" and "NIS" refer to New Israeli Shekels, the lawful currency of the State of Israel, and the terms "dollar," "U.S. dollar" or "\$" refer to United States dollars, the lawful currency of the United States of America. All references to "shares" in this prospectus refer to ordinary shares of PolyPid Ltd., par value NIS 0.80 per share.

MARKET, INDUSTRY AND OTHER DATA

This prospectus contains estimates, projections and other information concerning our industry, our business, and the markets for our product candidates. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties, and actual events or circumstances may differ materially from events and circumstances that are assumed in this information. Unless otherwise expressly stated, we obtained this industry, business, market and other data from our own internal estimates and research as well as from reports, research surveys, studies and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data and similar sources. Life Science Intelligence, Inc., the primary source for our market opportunity data included in this prospectus, was commissioned by us to compile this information.

In addition, assumptions and estimates of our and our industry's future performance are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors." These and other factors could cause our future performance to differ materially from our assumptions and estimates. See "Special Note Regarding Forward-Looking Statements."

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before deciding to invest in our ordinary shares, you should read this entire prospectus carefully, including the sections of this prospectus entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus. Unless the context otherwise requires, references in this prospectus to the "company," "PolyPid," "we," "us," "our" and other similar designations refer to PolyPid Ltd. and our subsidiary, PolyPid Inc.

Company Overview

We are a Phase 3 clinical-stage biopharmaceutical company focused on developing targeted, locally administered and prolonged-release therapeutics using our proprietary Polymer-Lipid Encapsulation matrix, or PLEX, technology. Our product candidates are designed to address diseases with high unmet medical needs by pairing our PLEX technology with drugs already approved by the U.S. Food and Drug Administration, or FDA. Our PLEX technology is designed to deliver drugs directly to precise sites in the body at predetermined release rates and over durations ranging from several days to several months. We believe that our PLEX technology and product candidates have the potential to cause a major shift in the management of a wide variety of localized medical conditions, including surgical site infections, or SSIs, cancer, inflammation and pain. Our lead product candidate, D-PLEX₁₀₀, is in a potentially pivotal Phase 3 clinical trial for the prevention of sternal (bone) SSIs. We also plan to initiate the first of two potentially pivotal Phase 3 trials of D-PLEX₁₀₀ for the prevention of abdominal (soft tissue) SSIs in the third quarter of 2020. We expect to report topline results from this trial at the end of 2021 and to initiate the second Phase 3 trial approximately six months after the initiation of the first trial. The World Health Organization, or WHO, estimates that SSIs result in up to \$10 billion of additional hospital costs per year in the United States alone, and a further €11 billion per year in the European Union. We believe D-PLEX₁₀₀, if approved, would be a significant improvement over the current standard of care, which includes systemic administration of drugs.

We believe our PLEX technology has the potential to address many of the limitations of the current standard of care of systemic administration of drugs, resulting in significantly improved patient outcomes and lower overall cost of treatment by enabling targeted and local delivery of medications at predetermined and customizable release rates and duration. The systemic administration of drugs can have significant potential disadvantages for the treatment of localized medical conditions in the body, including limited efficacy due to poor local drug concentration, which often requires the use of a considerably higher quantity of drugs over a prolonged period of time and can result in substantial side effects.

D-PLEX pairs our novel, proprietary PLEX technology with doxycycline, a first-line, broad spectrum and FDA-approved antibiotic. In our clinical trials to date, patients treated with D-PLEX demonstrated a reduction in SSIs compared to patients treated with the standard of care alone. Our lead product candidate, D-PLEX₁₀₀, is currently in a potentially pivotal Phase 3 clinical trial for the prevention of SSIs in sternal (bone) surgeries, and we plan to initiate two potentially pivotal Phase 3 trials of D-PLEX₁₀₀ for the prevention of abdominal (soft tissue) SSIs. Infections resulting from surgery can be fatal and create a significant public health burden despite the extensive use of systemically administered antibiotics both pre- and post-operatively and other measures taken to reduce infection risk in the intra-operative setting. SSIs occur in approximately 2% to 5% of all patients undergoing inpatient surgery worldwide. The WHO and the Centers for Disease Control and Prevention have recently labeled SSIs as a high priority unmet medical need due to the associated morbidity, mortality and economic cost burden.

In October 2019, we reported topline data from our Phase 2 clinical trial of D-PLEX₁₀₀ for the prevention of SSIs in patients undergoing abdominal surgery. Patients treated with D-PLEX₁₀₀ and the standard of care had a statistically significant reduction of 59% (p=0.0086) in deep or superficial incisional SSIs or mortality for any reason within 30 days of surgery, which was the primary endpoint for the trial, as compared to patients who received the standard of care alone. In addition, there was a statistically significant difference (p=0.0290) in patient deaths within 60 days of surgery, with no deaths observed in the D-PLEX₁₀₀ treatment arm, as compared to five deaths observed in the standard-of-care arm. In this trial, D-PLEX₁₀₀ was observed to be generally well tolerated, with no confirmed drug-related serious adverse events, or SAEs, and did not increase wound healing impairment at the incision site as compared to the control arm.

In January 2018, we reported data from our Phase 1b/2 clinical trial of D-PLEX₁₀₀ for the prevention of sternal SSIs after cardiac surgery. None of the 58 patients treated with D-PLEX₁₀₀ and the standard of care had a primary sternal infection within 90 days post-surgery, which was the primary endpoint of the trial, as compared to one patient in the group treated with the standard of care alone, representing a 4.3% infection rate. In this trial, D-PLEX₁₀₀ was observed to be generally well tolerated, with no drug-related SAEs and no drug-related wound healing issues at the incision site.

In December 2019, we initiated a potentially pivotal Phase 3 clinical trial of D-PLEX₁₀₀ for the prevention of sternal (bone) SSIs, and we enrolled the first patient in February 2020. We expect to enroll between 1,200 and 1,600 cardiac surgery patients in the trial. We have paused enrollment in this trial due to the COVID-19 pandemic, but we have informed investigators that they should continue monitoring current patients per the trial protocol. Pending the availability of additional funding following this offering, we expect to resume enrollment when we believe it is safe to do so and anticipate conducting an interim analysis after a total of 850 patients have been assessed for the presence of at least one sternal wound infection or mortality for any reason within 90 days post-surgery. In February 2020, we held an end of Phase 2 meeting with the FDA to discuss our proposed potentially pivotal Phase 3 clinical trials of D-PLEX₁₀₀ for the prevention of abdominal (soft tissue) SSIs. We plan to initiate the first Phase 3 trial in this indication in the third quarter of 2020 and the second Phase 3 trial approximately six months after the initiation of the first trial. We expect to report topline results from the first trial at the end of 2021. We intend to pursue a broad label for D-PLEX₁₀₀ for the prevention of SSIs, the scope of which will depend on the clinical data generated from our Phase 3 clinical trials and discussions with the FDA and the European Medicines Agency, or the EMA.

We intend to seek approval of D-PLEX₁₀₀ under Section 505(b)(2) of the Federal Food, Drug and Cosmetic Act, or FDCA, which provides an abbreviated pathway for marketing approval by the FDA in the United States, and will seek approval under the comparable hybrid application pathway in the European Union. Such abbreviated approval pathways may not lead to a faster development or review process compared to traditional approval pathways and do not increase the likelihood that D-PLEX₁₀₀ will receive regulatory approval in the United States or the European Union. We also received two Qualified Infectious Disease Product, or QIDP, designations from the FDA for D-PLEX₁₀₀ for the prevention of post-abdominal surgery incisional infection and for the prevention of sternal wound infection post-cardiac surgery. The QIDP designation from the FDA confers, among other benefits, a five-year extension to any period of non-patent exclusivity awarded upon approval, such as a three-year period of exclusivity for new clinical investigations of previously approved products, which we expect for D-PLEX₁₀₀, if approved. Additionally, in November 2018 we received Fast Track Designation from the FDA for D-PLEX₁₀₀ for prevention of sternal wound infections post-cardiac surgery, which could potentially expedite the FDA's review of D-PLEX₁₀₀ and enables early and frequent communication with the FDA as we continue to generate data from our ongoing and planned clinical trials.

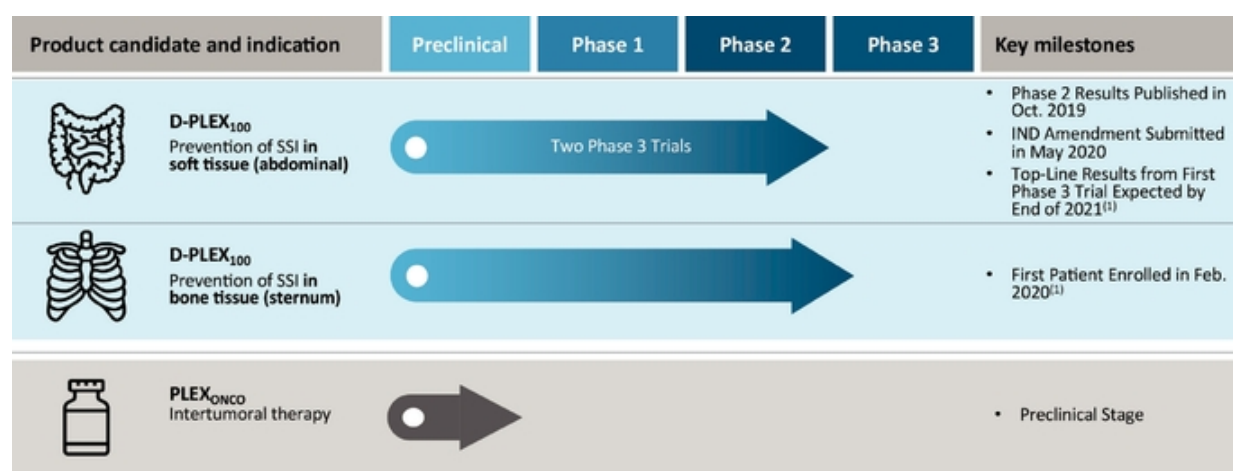
Our PLEX technology consists of a proprietary matrix of several thousand layers of chemically inactive and biocompatible polymers and lipids that physically embed the drug within the layers. A drug stored within the PLEX layers is released over time in a controlled manner and in customizable, predetermined amounts at the local site where it is administered. PLEX technology is designed to

protect the embedded medication from the natural enzymes and other biochemicals in the body that would otherwise degrade or alter the drug. Over time, natural hydration in the body disintegrates the layers of PLEX, from the outer layer to the inner layers, which triggers a release of the medicine in an unmodified, active form. We believe that these characteristics may enable our PLEX product candidates to be efficacious using only a small fraction of the medicines required in systemic administration.

We believe our PLEX platform technology may have broad therapeutic application for other localized medical conditions. Because our PLEX technology is designed to be agnostic to the nature and size of the underlying drug, we believe it has the potential to be paired with a wide variety of currently marketed drugs or product candidates in development, including small molecules, peptides, antibodies and other proteins, as well as nucleic acid-based APIs, to create novel therapies in a broad range of locally delivered applications. We are pursuing research and development programs for our PLEX platform in a variety of other potential indications where we have identified a targeted active pharmaceutical ingredient, or API, for use with our PLEX technology, including for the treatment of cancer, inflammation and pain. We are currently evaluating PLEX_{ONC} in preclinical studies as an intratumoral therapy for the treatment of cancer. We will consider licensing rights to our PLEX technology for use with various biologics and small molecules.

As of May 31, 2020, we had 79 issued patents, including utility and composition of matter patents, and four allowed patent applications. Additionally, we have 32 pending patent applications in the United States, the European Patent Office, Canada, Australia, China, Japan, Israel, Brazil, the Eurasian Patent Organization, India, Mexico, New Zealand, the Philippines, Singapore, South Korea and Thailand. Our issued patents expire between 2029 and 2035.

Our Pipeline



(1) In December 2019, we initiated a potentially pivotal Phase 3 clinical trial of D-PLEX₁₀₀ for the prevention of sternal SSIs after cardiac surgery and we plan to initiate the first Phase 3 trial of D-PLEX₁₀₀ for the prevention of abdominal (soft tissue) SSIs in the third quarter of 2020 and the second Phase 3 trial approximately six months after the initiation of the first trial. We intend to pursue a broad label for D-PLEX₁₀₀ for the prevention of SSIs, the scope of which will depend on the clinical data generated from our potentially pivotal Phase 3 clinical trials and discussions with the FDA and the EMA.

Our Strategy

Our goal is to leverage our PLEX technology to develop and commercialize a pipeline of potentially transformative therapies for the local and prolonged delivery of drugs to address diseases with high unmet medical needs. The key elements of our strategy are as follows:

- Successfully complete clinical development of D-PLEX₁₀₀ for the prevention of SSIs.
- Pursue expedited regulatory pathways for our product candidates.
- Execute on our go-to-market commercial strategy.
- Expand our product pipeline for additional indications using our PLEX technology.
- Pursue research collaborations with biopharmaceutical companies.
- Build a fully integrated biopharmaceutical company utilizing our manufacturing facility.

COVID-19 Pandemic

Our business has been and will likely continue to be adversely affected by the effects of the recent and evolving COVID-19 pandemic, which has resulted in travel and other restrictions in order to reduce the spread of the disease, including in Israel, the United States and the European Union where we are conducting or planning clinical trials. We have paused enrollment of our Phase 3 trial of D-PLEX₁₀₀ for the prevention of sternal SSIs due to the COVID-19 pandemic, but we have informed investigators that they should continue monitoring current patients per the trial protocol. Pending the availability of additional funding following this offering, we expect to resume enrollment when we believe it is safe to do so and anticipate conducting an interim analysis after a total of 850 patients have been assessed for the presence of at least one sternal wound infection or mortality for any reason within 90 days post-surgery. We remain in close contact with our principal investigators and clinical sites in order to assess the impact of the COVID-19 pandemic on our clinical trials, expected timelines and costs and to consider any appropriate mitigating measures. Further, future patient enrollment, when we deem it appropriate, and clinical site initiation may be further delayed due to prioritization of hospital resources toward the COVID-19 pandemic or challenges in patient enrollment or maintenance due to quarantines or other interruptions to healthcare services. At this time we cannot fully forecast the scope of impacts that the COVID-19 pandemic may have on our ability to initiate trial sites, enroll and assess patients, supply study drug and report trial results for this trial or our planned trials of D-PLEX₁₀₀. See "Risk Factors—Risks Related to Our Business Operations—Our business and operations are likely to be adversely affected by the evolving and ongoing COVID-19 global pandemic."

Risks Associated With Our Business

Our business is subject to a number of risks of which you should be aware before making an investment decision. These risks are discussed more fully in the "Risk Factors" section of this prospectus immediately following this prospectus summary. These risks include, among others, the following:

- We have a limited operating history and have incurred significant losses since our inception. We anticipate that we will continue to incur significant losses for the foreseeable future, and we may never achieve or maintain profitability.
- We have never generated any revenue from product sales and may never be profitable.
- Our business and operations have been and are likely to continue to be adversely affected by the evolving and ongoing COVID-19 global pandemic.
- We are heavily dependent on the success of D-PLEX₁₀₀, including obtaining regulatory approval to market D-PLEX₁₀₀ in the United States and in the European Union.

- Clinical drug development is difficult to design and implement and involves a lengthy and expensive process with uncertain outcomes.
- If the FDA does not conclude that D-PLEX₁₀₀ satisfies the requirements under Section 505(b)(2) of the FDCA, or Section 505(b)(2), or if we are unable to utilize the hybrid application pathway in the European Union, or if the requirements are not as we expect, the approval pathway for D-PLEX₁₀₀ will likely take significantly longer, cost significantly more and entail significantly greater complications and risks than anticipated, and in either case may not be successful.
- As an organization, we have not previously conducted pivotal clinical trials, and we may be unable to do so for any product candidates we may develop, including D-PLEX₁₀₀.
- Even if we complete the necessary clinical trials, we cannot predict when, or if, we will obtain regulatory approval to commercialize any of our product candidates, and the approval may be for a more narrow indication than we seek or be subject to other limitations or restrictions that limit its commercial profile.
- Our product candidates and the administration of our product candidates may cause undesirable side effects or have other properties that could delay or prevent their regulatory approval, limit the commercial profile of an approved label or result in significant negative consequences following marketing approval, if any.
- We rely on third parties to conduct certain elements of our preclinical studies and clinical trials and perform other tasks for us. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or comply with regulatory requirements, we may not be able to obtain regulatory approval for or commercialize our product candidates.
- If we are unable to obtain and maintain effective patent rights for our product candidates or any future product candidates, we may not be able to compete effectively in our markets. If we are unable to protect the confidentiality of our trade secrets or know-how, such proprietary information may be used by others to compete against us.
- If we receive marketing approval for our product candidates, sales will be limited unless the product achieves broad market acceptance by physicians, patients, third-party payors, hospital pharmacists, infectious disease specialists and others in the medical community.
- There is a substantial risk that we are or will become classified as a passive foreign investment company. If we are or become classified as a passive foreign investment company, our U.S. shareholders may suffer adverse tax consequences as a result, including having gains realized on the sale of our ordinary shares treated as ordinary income, rather than capital gain, the loss of the preferential rate applicable to dividends received on our ordinary shares by individuals who are U.S. holders, and having interest charges apply to distributions by us and gains from the sales of our shares. At this time, we do not expect to provide U.S. Holders with the information necessary for a U.S. Holder to make a QEF election. Each U.S. person that is an investor of a PFIC is generally also required to file an annual information return on IRS Form 8621 containing such information as the U.S. Treasury Department may require.

Corporate Information

We are an Israeli corporation based in Israel near Tel Aviv, and were incorporated in 2008. Our principal executive offices are located at 18 Hasivim Street, P.O. Box 7126, Petach Tikva 4959376 Israel. Our telephone number is +972 (74) 719-5700. Our website address is www.polypid.com. The information contained on our website and available through our website is not incorporated by reference into and should not be considered a part of this prospectus, and the reference to our website in this prospectus is an inactive textual reference only.

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

As a company with less than \$1.07 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other burdens that are otherwise applicable generally to public companies. These provisions include:

- requirement to include only two years of audited financial statements and only two years of related Management's Discussion and Analysis of Financial Condition and Results of Operations disclosure in our initial registration statement;
- reduced executive compensation disclosure; and
- an exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002.

We may take advantage of these provisions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company upon the earlier to occur of: (1) the last day of the fiscal year in which we have total annual gross revenues of \$1.07 billion or more; (2) the date on which we have issued more than \$1.0 billion in nonconvertible debt during the previous three years; or (3) the date on which we are deemed to be a large accelerated filer under the rules of the Securities and Exchange Commission, or the SEC. We may choose to take advantage of some but not all of these reduced burdens, and therefore the information that we provide holders of our ordinary shares may be different than the information you might receive from other public companies in which you hold equity. In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards applicable to public companies. We have elected to take advantage of the extended transition period to comply with new or revised accounting standards and to adopt certain of the reduced disclosure requirements available to emerging growth companies. As a result of the accounting standards election, we will not be subject to the same implementation timing for new or revised accounting standards as other public companies that are not emerging growth companies which may make comparison of our financials to those of other public companies more difficult. In addition, the information that we provide in this prospectus may be different than the information you may receive from other public companies in which you hold equity interests.

Upon consummation of this offering, we will report under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as a non-U.S. company with foreign private issuer status. Even after we no longer qualify as an emerging growth company, as long as we continue to qualify as a foreign private issuer under the Exchange Act, we will be exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including:

- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations with respect to a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial statements and other specified information, and current reports on Form 8-K upon the occurrence of specified significant events.

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

THE OFFERING

Ordinary shares offered by us	3,125,000 ordinary shares
Underwriters' option to purchase additional ordinary shares	468,750 ordinary shares
Ordinary shares to be outstanding immediately after this offering	16,421,451 ordinary shares (or 16,890,201 ordinary shares if the underwriters exercise their option to purchase an additional 468,750 ordinary shares in full)
Use of proceeds	<p>We estimate that the net proceeds to us from this offering will be approximately \$44.9 million, or approximately \$51.9 million if the underwriters exercise their option to purchase additional ordinary shares in full, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, based on an assumed initial public offering price of \$16.00 per ordinary share, which is the midpoint of the price range set forth on the cover page of this prospectus.</p> <p>We intend to use the net proceeds from this offering, together with our existing cash, cash equivalents and short-term deposits: (i) to initiate and complete our first planned Phase 3 clinical trial of D-PLEX₁₀₀ for the prevention of SSIs after abdominal surgery, to initiate and conduct the second trial and to prepare for the submission of an NDA to the FDA and (ii) for general corporate purposes, including research and development, and working capital.</p> <p>See "Use of Proceeds" for more information about the intended use of proceeds from this offering.</p>
Risk factors	See "Risk Factors" and other information included in this prospectus for a discussion of factors that you should consider carefully before deciding to invest in our ordinary shares.
Passive foreign investment company considerations	Based upon the expected value of our assets, including any goodwill, and the expected nature and composition of our income and assets, we may be classified as a passive foreign investment company, or a PFIC, for the taxable year ending December 31, 2020 and in future taxable years. In particular, so long as we do not generate revenue from operations for any taxable year and do not receive any research and development grants, or if such grants that we receive do not constitute gross income for purposes of the PFIC test, we likely will be classified as a PFIC for such taxable year.
Proposed Nasdaq Global Market symbol	"PYPD"

Unless otherwise stated, the number of ordinary shares to be outstanding after this offering is based on 13,296,451 ordinary shares outstanding as of March 31, 2020, and excludes the following:

- 1,343,576 ordinary shares reserved for issuance upon the exercise of outstanding exercisable stock options as of March 31, 2020 with a weighted average exercise price of \$4.54 per share;

- 314,890 ordinary shares reserved for issuance upon the exercise of outstanding stock options as of March 31, 2020, which such options are not yet exercisable, with a weighted average exercise price of \$6.28 per share;
- 101,336 ordinary shares reserved for issuance upon the exercise of outstanding exercisable stock options granted subsequent to March 31, 2020 with an exercise price of \$6.62 per share, all of which were granted to our executive officers and directors;
- 902,744 ordinary shares reserved for issuance upon the exercise of outstanding stock options granted subsequent to March 31, 2020, which such options are not yet exercisable, with an exercise price of \$6.62 per share, including options to purchase 369,733 ordinary shares granted to our executive officers and directors;
- 1,068,917 ordinary shares reserved for issuance under our Amended and Restated 2012 Share Option Plan, as of the date of this prospectus, including 812,600 additional ordinary shares that will become reserved for issuance effective upon the closing of this offering, as well as any automatic increases in the number of ordinary shares reserved for issuance under the Amended and Restated 2012 Share Option Plan;
- 2,755,398 ordinary shares issuable upon the exercise of outstanding warrants to purchase Series D-2 preferred shares, at a weighted average exercise price of \$9.24 per ordinary share, which warrants will automatically convert into warrants to purchase ordinary shares upon the closing of this offering and are expected to remain outstanding at the consummation of this offering;
- 200,596 ordinary shares issuable upon the exercise of outstanding warrants to purchase Series E-1 preferred shares, at a weighted average exercise price of \$15.95 per ordinary share, which warrants will automatically convert into warrants to purchase ordinary shares upon the closing of this offering and are expected to remain outstanding at the consummation of this offering; and
- 17,925 ordinary shares issuable upon the exercise of a warrant to purchase ordinary shares at an exercise price equal to the initial public offering price per share, which such warrant is expected to be issued to Stanley Stern, a member of our board of directors, upon the closing of this offering pursuant to an advisory agreement (see "Certain Relationships and Related Party Transactions—Advisory Agreement with Stanley Stern").

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

- an initial public offering price of \$16.00 per ordinary share, which is the midpoint of the price range set forth on the cover page of this prospectus;
- no exercise of the underwriters' option to purchase up to an additional 468,750 ordinary shares;
- a 1.046-for-1 reverse share split, effected on June 21, 2020;
- the automatic conversion of all outstanding preferred shares into 12,679,928 ordinary shares, which will occur upon the closing of this offering, after giving effect to an anti-dilution adjustment relating to our Series E-1 preferred shares described in the section titled "Description of Capital Stock—Conversion of Preferred Shares," assuming an initial public offering price of \$16.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus;
- the exercise of warrants to purchase 53,775 Series A preferred shares, and the automatic conversion thereof into 53,775 ordinary shares, which will occur upon the closing of this offering; and

- the adoption of our amended and restated articles of association prior to the closing of this offering, which will replace our amended and restated articles of association as currently in effect.

Certain of our existing shareholders, including entities affiliated with certain of our directors and beneficial owners of greater than 5% of our share capital, have indicated an interest in purchasing up to an aggregate of \$27 million of ordinary shares in this offering at the initial public offering price per share. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters may determine to sell more, less or no shares in this offering to any of these shareholders, or any of these shareholders may determine to purchase more, less or no shares in this offering. The underwriters will receive the same underwriting discount on any shares purchased by these shareholders as they will on any other shares sold to the public in this offering.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following table summarizes our financial data. We have derived the following statements of operations data for the years ended December 31, 2019 and 2018 and the balance sheet data as of December 31, 2019 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the summary consolidated statement of operations data for the three months ended March 31, 2020 and 2019 and the summary consolidated balance sheet data as of March 31, 2020 from our unaudited consolidated financial statements included elsewhere in this prospectus. Such financial statements have been prepared in accordance with U.S. GAAP. In our opinion, the unaudited interim consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements and contains all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of such unaudited interim financial statements. Our historical results are not necessarily indicative of the results that may be expected in the future, and our results for any interim period are not necessarily indicative of results that may be expected for any full year. The following summary financial data should be read in conjunction with "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and related notes included elsewhere in this prospectus.

	<u>Year Ended December 31,</u>		<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>	<u>2020</u>	<u>2019</u>
	(unaudited)			
	(in thousands, except share and per share amounts)			
Statements of operations data:				
Research and development, net	\$ 14,083	\$ 12,550	\$ 3,433	\$ 3,477
General and administrative	4,477	5,814	1,003	720
Operating loss	(18,560)	(18,364)	(4,436)	(4,197)
Financial income (expense), net	11,655	24,281	(1,433)	2,967
Net (loss) profit	\$ (6,905)	\$ 5,917	\$ (5,869)	\$ (1,230)
Basic net (loss) profit per ordinary share	\$ (23.69)	\$ 0.16	\$ (13.90)	\$ (4.51)
Diluted net loss per ordinary share	\$ (23.69)	\$ (0.86)	\$ (13.90)	\$ (4.51)
Weighted average number of ordinary shares used in computing basic net loss per share	562,451	561,113	562,748	562,179
Weighted average number of ordinary shares used in computing diluted net loss per share	562,451	613,358	562,748	562,179
Pro forma basic and diluted net loss per ordinary share ⁽¹⁾	\$ (1.13)		\$ (0.59)	
Weighted average number of ordinary shares used in computing basic and diluted net loss per share — pro forma (unaudited)	11,815,336		13,296,451	

- (1) See Note 13 to our audited consolidated financial statements and Note 8 to our unaudited consolidated interim financial statements included elsewhere in this prospectus for an explanation of the method used to calculate the historical and pro forma basic and diluted net loss per ordinary share.

	As of March 31, 2020		
	Actual	Pro Forma ⁽¹⁾ (unaudited) (in thousands)	Pro Forma As Adjusted ⁽²⁾
Balance sheet data:			
Cash, cash equivalents and short-term deposits	\$ 21,359	\$ 21,372	\$ 66,371
Working capital ⁽³⁾	20,007	20,020	65,341
Total assets	29,071	28,662	73,661
Convertible preferred shares warrant liability	13,753	—	—
Convertible preferred shares	106,313	—	—
Total shareholders' equity (deficiency)	(93,312)	26,345	71,667

- (1) Pro forma balance sheet data give effect to: (i) the automatic conversion of all outstanding preferred shares into 12,679,928 ordinary shares upon the closing of this offering, after giving effect to an anti-dilution adjustment relating to our Series E-1 preferred shares described in the section titled "Description of Capital Stock—Conversion of Preferred Shares," and (ii) the exercise of warrants to purchase Series A preferred shares, and the automatic conversion thereof into 53,775 ordinary shares, which will occur upon the closing of this offering.
- (2) Pro forma as adjusted balance sheet data give additional effect to the sale of 3,125,000 ordinary shares in this offering at the assumed initial public offering price of \$16.00 per ordinary share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.
- (3) Working capital is defined as total current assets minus total current liabilities.

The pro forma information discussed above is illustrative only and will be adjusted based on the actual initial public offering price and other terms of our initial public offering determined at pricing. Each \$1.00 increase (decrease) in the assumed initial public offering price of \$16.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the pro forma as adjusted amount of each of cash, cash equivalents and short-term deposits, total assets and shareholders' equity (deficiency) by \$2.9 million, assuming that the number of ordinary shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of 1.0 million shares in the number of ordinary shares offered by us at the assumed initial public offering price would increase (decrease) each of cash, cash equivalents and short-term deposits, total assets and shareholders' equity (deficiency) by \$14.9 million.

RISK FACTORS

Investing in our ordinary shares involves a high degree of risk. You should carefully consider the risks and uncertainties described below, in addition to the other information set forth in this prospectus, including the consolidated financial statements and the related notes included elsewhere in this prospectus, before purchasing our ordinary shares. If any of the following risks actually occurs, our business, financial condition, cash flows and results of operations could be negatively impacted. In that case, the trading price of our ordinary shares would likely decline and you might lose all or part of your investment.

Risks Related to Our Financial Condition and Capital Requirements

We have a limited operating history and have incurred significant losses since our inception. We anticipate that we will continue to incur significant losses for the foreseeable future, and we may never achieve or maintain profitability.

We are a Phase 3 clinical-stage pharmaceutical company with a limited operating history. We have incurred operating losses each year since our inception, including operating losses of \$18.6 million and \$18.4 million for the years ended December 31, 2019 and 2018, respectively, and \$4.4 million for the three months ended March 31, 2020. As of March 31, 2020, we had an accumulated deficit of \$99.2 million. We have devoted substantially all of our financial resources to designing and developing our PLEX product candidates, including conducting clinical trials and preclinical studies and providing general and administrative support for these operations. We expect that our expenses and operating losses will increase for the foreseeable future as we continue clinical development of D-PLEX₁₀₀ for the prevention of surgical site infections, or SSIs, and develop other product candidates using our PLEX technology. Our ability to ultimately achieve revenues and profitability is dependent upon our ability to successfully complete the development of D-PLEX₁₀₀ and any future product candidates, obtain necessary regulatory approvals for and successfully manufacture, market and commercialize our products.

We anticipate that our expenses will increase substantially based on a number of factors, including to the extent that we:

- continue our clinical development of D-PLEX₁₀₀, including our ongoing and planned Phase 3 trials of D-PLEX₁₀₀ for the prevention of SSIs in post-cardiac sternal (bone) surgeries and abdominal (soft tissue) surgeries;
- seek regulatory and marketing approvals for any product candidates that successfully complete clinical trials;
- advance our preclinical and research and development programs;
- identify, assess, acquire, license and/or develop other product candidates;
- manufacture current good manufacturing practices, or cGMP, material for clinical trials or potential commercial sales, either at our manufacturing facility or through third-party contract manufacturers;
- establish a sales, marketing and distribution infrastructure to commercialize any products for which we may obtain marketing approval;
- hire personnel and invest in additional infrastructure to support our operations as a public company and expand our product development;
- enter into agreements to license intellectual property from third parties;
- develop, maintain, protect and expand our intellectual property portfolio; and

- experience any delays or encounter issues with respect to any of the above, including, but not limited to, failed trials, complex results, safety issues or other regulatory challenges that require longer follow-up of existing clinical trials, additional major clinical trials or additional supportive studies in order to pursue marketing approval.

To date, we have financed our operations primarily through the sale of equity securities, convertible loans made by certain of our shareholders, royalty-bearing and non-royalty bearing grants that we received from the Israeli Innovation Authority, or the IIA, formerly known as the Office of the Chief Scientist of the Ministry of Economy and Industry, and non-royalty bearing grants under the European Commission's Seventh Framework Programme for Research, or the FP7. The amount of any future operating losses will depend, in part, on the rate of our future expenditures and our ability to obtain funding through equity or debt financings, strategic collaborations or grants. Even if we obtain regulatory approval to market one or more product candidates, our future revenue will depend upon the size of any markets in which such product candidates receive approval and our ability to achieve sufficient market acceptance, pricing, reimbursement from third-party payors for such product candidates. Further, the operating losses that we incur may fluctuate significantly from quarter to quarter and year to year, such that a period-to-period comparison of our results of operations may not be a good indication of our future performance. Other unanticipated costs may also arise.

We have never generated any revenue from product sales and may never be profitable.

We have no products approved for marketing in any jurisdiction and we have never generated any revenue from product sales. Our ability to generate revenue and achieve profitability depends on our ability, alone or with strategic collaboration partners, to successfully complete the development of, and obtain the regulatory and marketing approvals necessary to commercialize, D-PLEX₁₀₀ or any future product candidates. We do not anticipate generating revenue from product sales for at least the next several years. Our ability to generate future revenue from product sales will depend heavily on our ability to:

- complete research and preclinical and clinical development of D-PLEX₁₀₀ and any future product candidates in a timely and successful manner, including our ability to resume enrollment in our Phase 3 trial of D-PLEX₁₀₀ for the prevention of SSIs in sternal (bone) surgeries, which is paused due to the COVID-19 pandemic;
- obtain regulatory and marketing approval for any product candidates for which we complete clinical trials;
- maintain and enhance a commercially viable, sustainable, scalable, reproducible and transferable manufacturing process for D-PLEX₁₀₀ and any future product candidates that is compliant with cGMPs;
- establish and maintain supply and, if applicable, manufacturing relationships with third parties that can provide, in both amount and quality, adequate products to support clinical development and the market demand for D-PLEX₁₀₀ and any future product candidates, if and when approved;
- launch and commercialize any product candidates for which we obtain regulatory and marketing approval, either directly by establishing a sales force, marketing and distribution infrastructure, and/or with collaborators or distributors;
- expose and educate physicians and other medical professionals to use our products;
- obtain market acceptance, if and when approved, of D-PLEX₁₀₀ and any future product candidates from the medical community and third-party payors;

- ensure our product candidates are approved for reimbursement from governmental agencies, health care providers and insurers in jurisdictions where they have been approved for marketing;
- address any competing technological and market developments that impact D-PLEX₁₀₀ and any future product candidates or their prospective usage by medical professionals;
- identify, assess, acquire and/or develop new product candidates;
- negotiate favorable terms in any collaboration, licensing or other arrangements into which we may enter and perform our obligations under such collaborations;
- maintain, protect and expand our portfolio of intellectual property rights, including patents, patent applications, trade secrets and know-how;
- avoid and defend against third-party interference or infringement claims;
- attract, hire and retain qualified personnel; and
- locate and lease or acquire suitable facilities to support our clinical development, manufacturing facilities and commercial expansion.

Even if D-PLEX₁₀₀ or any future product candidates are approved for marketing and sale, we anticipate incurring significant incremental costs associated with commercializing such product candidates. Our expenses could increase beyond expectations if we are required by the United States Food and Drug Administration, or the FDA, the European Medicines Agency, or the EMA, or other regulatory agencies, domestic or foreign, or ethical committees in medical centers, to change our manufacturing processes or assays or to perform clinical, nonclinical or other types of studies in addition to those that we currently anticipate. Even if we are successful in obtaining regulatory approvals to market D-PLEX₁₀₀ or any future product candidates, our revenue earned from such product candidates will be dependent in part upon the breadth of the product label, the size of the markets in the territories for which we gain regulatory approval for such products, the accepted price for such products, our ability to obtain reimbursement for such products at any price, whether we own the commercial rights for that territory in which such products have been approved and the expenses associated with manufacturing and marketing such products for such markets. Therefore, we may not generate significant revenue from the sale of such products, even if approved. Further, if we are not able to generate significant revenue from the sale of our approved products, we may be forced to curtail or cease our operations. Due to the numerous risks and uncertainties involved in product development, it is difficult to predict the timing or amount of increased expenses, or when, or if, we will be able to achieve or maintain profitability.

Even if this offering is successful, we will need to raise substantial additional funding, which may not be available on acceptable terms, or at all. Failure to obtain funding on acceptable terms and on a timely basis may require us to curtail, delay or discontinue our product development efforts or other operations.

We are currently advancing D-PLEX₁₀₀ through clinical development, as well as our preclinical and research and development programs, in an effort to obtain regulatory approval. Developing product candidates is expensive, and we expect our research and development expenses to increase substantially in connection with our ongoing activities, particularly as we advance product candidates through clinical trials and regulatory approval. Furthermore, upon the closing of this offering, we expect to incur additional ongoing costs associated with operating as a public company.

To date, we have financed our operations primarily through the sale of equity securities, convertible loans made by certain of our shareholders, royalty-bearing and non-royalty bearing grants that we received from the IIA and FP7. As of March 31, 2020, we had cash, cash equivalents and short-term deposits of \$21.4 million. We will require significant additional financing in the future to

fund our operations. Our future funding requirements will depend on many factors, including but not limited to:

- the progress, results and costs of our ongoing and planned clinical trials of D-PLEX₁₀₀ and any future product candidates;
- the cost, timing and outcomes of regulatory review of D-PLEX₁₀₀ and any future product candidates;
- the costs of maintaining our own commercial-scale cGMP manufacturing facility, including costs related to obtaining and maintaining regulatory compliance, and/or engaging third-party manufacturers therefor;
- the scope, progress, results and costs of product development, laboratory testing, manufacturing, preclinical development and clinical trials for any other product candidates that we may develop or otherwise obtain in the future;
- the cost of our future activities, including establishing sales, marketing and distribution capabilities for any product candidates in any particular geography where we receive marketing approval for such product candidates;
- the terms and timing of any collaborative, licensing and other arrangements that we may establish;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims; and
- the level of revenue, if any, received from commercial sales of any product candidates for which we receive marketing approval.

Identifying potential product candidates and conducting preclinical testing and clinical trials is a time-consuming, expensive and uncertain process that takes years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve product sales. In addition, our product candidates, if and when approved, may not achieve commercial success. Our product revenues, if any, will be derived from or based on sales of product candidates that may not be commercially available for many years, if at all. Accordingly, we will need to continue to rely on additional financing to achieve our business objectives. Any additional fundraising efforts may divert our management from their day-to-day activities, which may adversely affect our ability to develop and commercialize our product candidates.

We cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all, and the terms of any financing may adversely affect the interests or rights of our shareholders. Even if we believe that we have sufficient funds for our current or future operating plans, we may seek additional capital if market conditions are favorable or if we have specific strategic considerations. The issuance of additional securities, whether equity or debt, by us, or the possibility of such issuance, may cause the market price of our shares to decline. Further, our ability to raise additional capital may be adversely impacted by potential worsening global economic conditions and the recent disruptions to and volatility in the credit and financial markets in the United States and worldwide resulting from the ongoing COVID-19 pandemic.

To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of such securities may include liquidation or other preferences that adversely affect your rights as a shareholder. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be

necessary to relinquish certain rights to our technologies or our product candidates, or to grant licenses on terms that are not favorable to us.

If we are unable to obtain funding on acceptable terms and on a timely basis, we may be required to significantly curtail, delay or discontinue one or more of our research, development or manufacturing programs or the commercialization of any approved product, or be unable to expand our operations or otherwise capitalize on our business opportunities, as desired, which could materially affect our business, financial condition and results of operations.

Risks Related to the Discovery, Development and Clinical Testing of Product Candidates

We are heavily dependent on the success of D-PLEX₁₀₀, including obtaining regulatory approval to market D-PLEX₁₀₀ in the United States and the European Union.

To date, we have invested all of our efforts and financial resources to: (i) research and develop our PLEX technology, our lead product candidate, D-PLEX₁₀₀, and our preclinical and research and development programs, including conducting preclinical studies and clinical trials, and providing general and administrative support for these operations; and (ii) develop and secure our intellectual property portfolio for D-PLEX₁₀₀ and our PLEX technology. Our future success is dependent on our ability to successfully develop, obtain regulatory approval for and commercialize one or more of our current and future product candidates. Our product candidates' marketability is subject to significant risks associated with successfully completing current and future clinical trials, including:

- our ability to complete our ongoing and planned Phase 3 clinical trials of D-PLEX₁₀₀ for the prevention of sternal SSIs and abdominal SSIs in a timely fashion, including our ability to resume enrollment in our Phase 3 trial of D-PLEX₁₀₀ for the prevention of sternal SSIs, which is paused due to the COVID-19 pandemic, and that such Phase 3 clinical trials, even if successfully completed, will be sufficient to support approval of a New Drug Application, or NDA;
- acceptance by the FDA, EMA or other regulatory agencies of our strategies for seeking regulatory approvals for D-PLEX₁₀₀ and any future product candidates, including our proposed indications, primary and secondary endpoint assessments and measurements, safety evaluations and regulatory pathways;
- the acceptance by the FDA, EMA or other regulatory agencies of the number, design, size, conduct and implementation of our clinical trials, our trial protocols and the interpretation of data from preclinical studies or clinical trials;
- our ability to successfully complete the clinical trials of D-PLEX₁₀₀ and any future product candidates, including timely patient enrollment and acceptable safety and efficacy data and our ability to demonstrate the safety and efficacy of the product candidates undergoing such clinical trials;
- the willingness of the FDA, EMA or other regulatory agencies to schedule an advisory committee meeting in a timely manner in connection with our regulatory submissions, if such advisory committee meetings are required;
- the recommendation of the FDA's advisory committee to approve our applications to market D-PLEX₁₀₀ and any future product candidates in the United States, and the EMA's approval to market D-PLEX₁₀₀ in the European Union, if such advisory committee reviews are scheduled, without limiting the approved labeling, specifications, distribution or use of the products, or imposing other restrictions;
- the satisfaction of the FDA, EMA or other regulatory agencies with the safety and efficacy of D-PLEX₁₀₀ and any future product candidates;

- the prevalence and severity of adverse events associated with D-PLEX₁₀₀ and any future product candidates;
- the timely and satisfactory performance by third-party contractors, trial sites and principal investigators of their obligations in relation to our clinical trials;
- our success in educating medical professionals and patients about the benefits, administration and use of D-PLEX₁₀₀ and any future product candidates, if approved;
- the availability, perceived advantages, relative cost, safety and efficacy of alternative and competing treatments for the indications addressed by D-PLEX₁₀₀ and any future product candidates;
- the effectiveness of our marketing, sales and distribution strategy, and operations, as well as that of any current and future licensees;
- our ability to scale, validate and maintain a commercially viable manufacturing process that is cGMP-compliant;
- our ability to obtain, protect and enforce our intellectual property rights with respect to D-PLEX₁₀₀, any future product candidates and our PLEX technology; and
- changes to regulatory guidelines.

Many of these clinical, regulatory and commercial risks are beyond our control. Accordingly, we cannot assure you that we will be able to advance D-PLEX₁₀₀ and any future product candidates through clinical development, or to obtain regulatory approval of or commercialize any product candidates. If we fail to achieve these objectives or overcome the challenges presented above, we could experience significant delays or an inability to successfully commercialize D-PLEX₁₀₀ and any future product candidates. Accordingly, we may not be able to generate sufficient revenues through the sale of our product candidates to enable us to continue our business.

Additionally, approval of a product candidate in the United States by the FDA does not ensure approval of such product candidate by regulatory authorities in other countries or jurisdictions, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or by the FDA. We may never obtain approval outside of the United States, which would limit our market opportunities and adversely affect our business.

Regulatory approval processes of the FDA, EMA and comparable foreign regulatory authorities are lengthy, time-consuming and unpredictable, and if we are ultimately unable to obtain regulatory approval for D-PLEX₁₀₀ or any future product candidates, our business may fail.

The research, development, testing, manufacturing, labeling, packaging, approval, promotion, advertising, storage, recordkeeping, marketing, distribution, post-approval monitoring and reporting and export and import of drug products are subject to extensive regulation by the FDA, the EMA and by foreign regulatory authorities in other countries. These regulations differ from country to country. To gain approval to market D-PLEX₁₀₀ and any future product candidates, we must provide data from well-controlled clinical trials that adequately demonstrate the safety and efficacy of the product for the intended indication to the satisfaction of the FDA, EMA or other regulatory authority. We have not yet obtained regulatory approval to market any product candidate in the United States or any other country. The FDA, EMA or other regulatory agencies can delay, limit or deny approval of D-PLEX₁₀₀ or any future product candidate for many reasons, including:

- regulatory requests for additional analyses, reports, data, non-clinical and preclinical studies and clinical trials;

- our inability to demonstrate that a product candidate is safe and effective for the target indication to the satisfaction of the FDA, EMA or other regulatory agencies;
- the FDA's, EMA's, or other regulatory agencies' disagreement with our trial protocol, the interpretation of data from preclinical studies or clinical trials, or adequacy of the conduct and control of clinical trials;
- clinical holds, other regulatory objections to commencing or continuing a clinical trial or the inability to obtain regulatory approval to commence a clinical trial in countries that require such approvals;
- the population studied in the clinical trial may not be sufficiently broad or representative to assess safety in the patient population for which we seek approval;
- unfavorable or inconclusive results of clinical trials and supportive non-clinical studies, including unfavorable results regarding safety or efficacy of a product candidate observed in clinical trials;
- our inability to demonstrate that clinical or other benefits of a product candidate outweighs any safety or other perceived risks;
- any determination that a clinical trial presents unacceptable health risks to subjects;
- our inability to obtain approval from institutional review boards, or IRBs, to conduct clinical trials at their respective sites;
- the FDA's determination that the 505(b)(2) regulatory pathway is not available for a product candidate;
- the non-approval of the formulation, labeling or the specifications of a product candidate;
- the failure to accept the manufacturing processes or facilities at our manufacturing facility or those of third-party manufacturers with which we contract;
- the potential for approval policies or regulations of the FDA, EMA or other regulatory agencies to significantly change in a manner rendering our clinical data insufficient for approval; or
- resistance to approval from the advisory committees of the FDA, EMA or other regulatory agencies for any reason including safety or efficacy concerns.

In the United States, we will be required to submit an NDA to obtain FDA approval before marketing any product candidate. An NDA must include extensive preclinical and clinical data and supporting information to establish the product candidate's safety and efficacy for each desired indication. In the case of an NDA covered by Section 505(b)(2) of the Federal Food, Drug, and Cosmetic Act, or the FDCA, we may rely in part on data not developed by us and for which we have not obtained a right of reference or use, including published scientific literature or the FDA's findings of safety and/or effectiveness for a previously approved drug. The NDA must also include significant information regarding the chemistry, manufacturing and controls for the product. The FDA may further inspect our manufacturing facilities to ensure that the facilities can manufacture any product candidate and any product, if and when approved, in compliance with the applicable regulatory requirements, as well as inspect our clinical trial sites to ensure that our trials are properly conducted. Obtaining approval of an NDA is a lengthy, expensive and uncertain process, and approval may not be obtained. Upon submission of an NDA, the FDA must make an initial determination that the application is sufficiently complete to accept the submission for filing. We cannot be certain that any submissions will be accepted for filing and review by the FDA, or ultimately be approved. If the application is not accepted for review or approval, the FDA may require that we conduct additional clinical or preclinical trials, or take other actions before it will reconsider our application. If the FDA requires additional trials or data, we would incur increased costs and delays in the marketing approval process, which may

require us to expend more resources than we have available. Even if the FDA agrees that results from our ongoing Phase 3 trial evaluating D-PLEX₁₀₀ for the prevention of post-cardiac surgery sternal SSIs and our planned Phase 3 trial for the prevention of SSIs following abdominal surgery are sufficient to support the submission of one or more NDAs, the FDA may determine that the data from these trials support a more narrow indication than we may propose, if the FDA were to approve such NDAs at all. In addition, the FDA may not consider any additional information to be complete or sufficient to support approval.

Regulatory authorities outside of the United States, such as in the European Union, also have requirements for approval of drugs for commercial sale with which we must comply prior to marketing in those areas. Regulatory requirements can vary widely from country to country and could delay or prevent the introduction of a product candidate. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and obtaining regulatory approval in one country does not mean that regulatory approval will be obtained in any other country. However, the failure to obtain regulatory approval in one jurisdiction could have a negative impact on our ability to obtain approval in a different jurisdiction. Approval processes vary among countries and can involve additional product candidate testing and validation and additional administrative review periods. Seeking foreign regulatory approval could require additional non-clinical studies or clinical trials, which could be costly and time consuming. Foreign regulatory approval may include all of the risks associated with obtaining FDA approval. For all of these reasons, if we seek foreign regulatory approval for any product candidate, we may not obtain such approvals on a timely basis, if at all.

Even if we eventually complete clinical testing and receive approval of any regulatory filing for a product candidate, the FDA may grant approval contingent on the performance of costly and potentially time-consuming additional post-approval clinical trials or subject to contraindications, black box warnings, restrictive surveillance or Risk Evaluation and Mitigation Strategies, or REMS. Further, the FDA, EMA or other foreign regulatory authorities may also approve a product candidate for a more limited indication or a narrower patient population than we originally requested, and these regulatory authorities may not approve the labeling that we believe is necessary or desirable for the successful commercialization of any product candidate. Following any approval for commercial sale of a product candidate, certain changes to the product, such as changes in manufacturing processes and additional labeling claims, as well as new safety information, will be subject to additional FDA notification, or review and approval. Also, regulatory approval for any product candidate may be withdrawn. To the extent we seek regulatory approval in foreign countries, we may face challenges similar to those described above with regulatory authorities in applicable jurisdictions. Any delay in obtaining, or inability to obtain, applicable regulatory approval for D-PLEX₁₀₀ or any future product candidate would delay or prevent commercialization of such product candidate and would thus negatively impact our business, results of operations and prospects.

Clinical drug development is difficult to design and implement and involves a lengthy and expensive process with uncertain outcomes.

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. A failure of one or more of our clinical trials can occur at any time during the clinical trial process. We do not know whether future clinical trials, if any, will begin on time, need to be redesigned, enroll an adequate number of patients on time or be completed on schedule, if at all. Clinical trials can be delayed, suspended or terminated for a variety of reasons, including failure to:

- generate sufficient preclinical, toxicology, or other *in vivo* or *in vitro* data to support the initiation or continuation of clinical trials;
- obtain regulatory approval, or feedback on trial design, in order to commence a trial;
- identify, recruit and train suitable clinical investigators;

- reach agreement on acceptable terms with prospective contract research organizations, or CROs, and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among CROs and clinical trial sites, and have such CROs and sites effect the proper and timely conduct of our clinical trials;
- obtain and maintain IRB approval at each clinical trial site;
- identify, recruit and enroll suitable patients to participate in a trial;
- have a sufficient number of patients complete a trial or return for post-treatment follow-up;
- ensure clinical investigators and clinical trial sites observe trial protocol or continue to participate in a trial;
- address any patient safety concerns that arise during the course of a trial;
- address any conflicts with new or existing laws or regulations;
- add a sufficient number of clinical trial sites;
- manufacture sufficient quantities at the required quality of product candidate for use in clinical trials; or
- raise sufficient capital to fund a trial.

We may also experience numerous unforeseen events during, or as a result of, clinical trials that could delay or prevent our ability to receive marketing approval or commercialize any product candidate, including:

- we may receive feedback from regulatory authorities that requires us to modify the design of our clinical trials;
- clinical trials of a product candidate may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon drug development programs;
- the number of patients required for clinical trials of a product candidate may be larger than we anticipate, enrollment in these clinical trials may be slower than we anticipate or participants may drop out of these clinical trials at a higher rate than we anticipate;
- our third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;
- regulators or IRBs may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site or amend a trial protocol;
- we may have delays in reaching or fail to reach agreement on acceptable clinical trial contracts or clinical trial protocols with prospective trial sites and CROs;
- we or our investigators might have to suspend or terminate clinical trials of a product candidate for various reasons, including non-compliance with regulatory requirements, a finding that a product candidate have undesirable side effects or other unexpected characteristics, or a finding that the participants are being exposed to unacceptable health risks;
- the cost of clinical trials of a product candidate may be greater than we anticipate;
- the supply or quality of a product candidate or other materials necessary to conduct clinical trials of such product candidate may be insufficient or inadequate;
- there may be changes in government regulations or administrative actions;
- a product candidate may have undesirable adverse effects or other unexpected characteristics;
- we may not be able to demonstrate that a produce candidate's clinical and other benefits outweigh its safety risks;

- we may not be able to demonstrate that a product candidate provides an advantage over current standards of care of future competitive therapies in development;
- regulators may revise the requirements for approving a product candidate, or such requirements may not be as we anticipate; and
- any future collaborators that conduct clinical trials may face any of the above issues, and may conduct clinical trials in ways they view as advantageous to them but that are suboptimal for us.

In addition, disruptions caused by the COVID-19 pandemic may increase the likelihood that we encounter such difficulties in initiating, enrolling, conducting or completing our planned and ongoing clinical trials. We may also encounter delays if a clinical trial is suspended or terminated by us, by the IRBs of the institutions in which such trials are being conducted, by the trial's data safety monitoring board, by the FDA, EMA or other regulatory agencies. Such authorities may suspend or terminate one or more of our clinical trials due to a number of factors, including our failure to conduct the clinical trial in accordance with relevant regulatory requirements or clinical protocols, inspection of the clinical trial operations or site by the FDA, EMA or other regulatory agencies resulting in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a drug, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial.

Further, conducting clinical trials in foreign countries, as we plan to do for D-PLEX₁₀₀ and any future product candidates, presents additional risks that may delay completion of our clinical trials. These risks include the failure of enrolled patients in foreign countries to adhere to clinical protocol as a result of differences in healthcare services or cultural customs, managing additional administrative burdens associated with foreign regulatory schemes, as well as political and economic risks relevant to such foreign countries.

If we experience delays in completing any clinical trial of a product candidate or successfully obtaining regulatory approval, the commercial prospects of such product candidate may be harmed, and our ability to generate product revenues from such product candidate will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our product candidate development and approval process and jeopardize our ability to commence product sales and generate revenues. Any of these occurrences may significantly harm our business and financial condition. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our product candidates.

The results of earlier studies and trials may not be predictive of future trial results, and our clinical trials may fail to adequately demonstrate the safety and efficacy of our product candidates.

Results from preclinical studies or early-stage clinical trials are not necessarily predictive of future clinical trial results. Preclinical tests and Phase 1 and Phase 2 clinical trials are primarily designed to test safety, to study pharmacokinetics and pharmacodynamics and to understand the side effects of product candidates at various doses and schedules. Success in preclinical or animal studies and early clinical trials does not ensure that later, large-scale efficacy trials will be successful nor does it predict final results. Our product candidates may fail to show the desired safety and efficacy in clinical development despite positive results in preclinical studies or after having successfully advanced through initial clinical trials. This failure might cause us to abandon further development of D-PLEX₁₀₀ for the prevention of SSIs, which is currently our most advanced product candidate.

There is a high failure rate for product candidates proceeding through clinical trials. Many companies in the pharmaceutical industry have suffered significant setbacks in late-stage clinical trials even after achieving promising results in preclinical testing and earlier-stage clinical trials. Data obtained from preclinical and clinical activities are subject to varying interpretations, which may delay,

limit or prevent regulatory approval. In addition, we may experience regulatory delays or rejections as a result of many factors, including due to changes in regulatory policy during the period of our product candidate development. Success in preclinical testing and early clinical trials does not ensure that later clinical trials will generate the same results or otherwise provide adequate data to demonstrate the efficacy and safety of a product candidate. Frequently, product candidates that have shown promising results in early clinical trials have subsequently suffered significant setbacks in later clinical trials. Additionally, even if we are able to complete clinical trials, the results may not be sufficient to obtain regulatory approval for our product candidates.

Interim, "top-line" and preliminary data from our clinical trials that we announce or publish from time to time may change as more patient data become available and are subject to audit and verification procedures that could result in material changes in the final data.

From time to time, we may publicly disclose top-line or preliminary data from our clinical trials, which is based on a preliminary analysis of then-available data, and the results and related findings and conclusions are subject to change following a more comprehensive review of the data related to the particular study or trial. We also make assumptions, estimations, calculations and conclusions as part of our analyses of data, and we may not have received or had the opportunity to fully and carefully evaluate all data. As a result, the top-line or preliminary results that we report may differ from future results of the same trials, or different conclusions or considerations may qualify such results, once additional data have been received and fully evaluated. Top-line or preliminary data also remain subject to audit and verification procedures that may result in the final data being materially different from the top-line or preliminary data we previously published. As a result, top-line and preliminary data should be viewed with caution until the final data are available.

From time to time, we may also disclose interim data from our preclinical studies and clinical trials. Interim data from clinical trials that we may complete are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. Adverse differences between interim data and final data could significantly harm our business prospects. Further, disclosure of interim data by us or by our competitors could result in volatility in the price of our common stock after this offering.

Further, others, including regulatory agencies, may not accept or agree with our assumptions, estimates, calculations, conclusions or analyses or may interpret or weigh the importance of data differently, which could impact the value of the particular program, the approvability or commercialization of the particular product candidate or product and our company in general. In addition, the information we choose to publicly disclose regarding a particular study or clinical trial is based on what is typically extensive information, and you or others may not agree with what we determine is material or otherwise appropriate information to include in our disclosure.

If the interim, top-line or preliminary data that we report differ from actual results, or if others, including regulatory authorities, disagree with the conclusions reached, our ability to obtain approval for, and commercialize, our product candidates may be harmed, which could harm our business, operating results, prospects or financial condition.

If the FDA does not conclude that D-PLEX₁₀₀ satisfies the requirements under Section 505(b)(2) of the FDCA, or Section 505(b)(2), or if we are unable to utilize the hybrid application pathway in the European Union, or if the requirements are not as we expect, the approval pathway for D-PLEX₁₀₀ will likely take significantly longer, cost significantly more and entail significantly greater complications and risks than anticipated, and in either case may not be successful.

We intend to utilize the FDA's Section 505(b)(2) regulatory pathway, and the hybrid application pathway in the European Union, which is analogous to the Section 505(b)(2) pathway, to seek approval

of D-PLEX₁₀₀. The Drug Price Competition and Patent Term Restoration Act of 1984, also known as the Hatch-Waxman Act, added Section 505(b)(2) to the FDCA. Section 505(b)(2) permits the filing of an NDA where at least some of the information required for approval comes from trials or studies that were not conducted by or for the applicant, and for which the applicant has not received a right of reference or use from the person by or for whom the investigations were conducted, which we believe could expedite the development program for D-PLEX₁₀₀ by potentially decreasing the amount of preclinical and clinical data that we would need to generate in order to obtain FDA approval. However, while we believe that D-PLEX₁₀₀ is a reformulation of an already-approved drug and, therefore, will be eligible for submission of an NDA under Section 505(b)(2), the FDA may disagree and determine that D-PLEX₁₀₀ is not eligible for review under such regulatory pathway.

If we are unable to pursue these regulatory pathways as anticipated, we may need to conduct additional preclinical experiments and clinical trials, provide additional data and information and meet additional standards for regulatory approval. If this were to occur, the time and financial resources required to obtain FDA approval for D-PLEX₁₀₀, and complications and risks associated with D-PLEX₁₀₀, would likely increase significantly. Moreover, inability to pursue the Section 505(b)(2) or similar regulatory pathway could result in new competitive products reaching the market more quickly than D-PLEX₁₀₀ or any future product candidates, which would likely harm our competitive position and prospects. Even if we are allowed to pursue the Section 505(b)(2) or similar regulatory pathway, D-PLEX₁₀₀ may not receive the requisite approvals for commercialization, and there is no guarantee the 505(b)(2) or similar pathway would ultimately lead to faster product development or earlier approval.

In addition, notwithstanding the approval of a number of products by the FDA under Section 505(b)(2) over the last few years, certain competitors and others have objected to the FDA's interpretation of Section 505(b)(2). If the FDA's interpretation of Section 505(b)(2) is successfully challenged, the FDA may be required to change its 505(b)(2) policies and practices, which could delay or even prevent the FDA from approving any NDA that we submit under Section 505(b)(2). In addition, the pharmaceutical industry is highly competitive, and Section 505(b)(2) NDAs are subject to special requirements designed to protect the patent rights of sponsors of previously approved drugs that are referenced in a Section 505(b)(2) NDA. These requirements may give rise to patent litigation and mandatory delays in approval of our potential future NDAs for up to 30 months depending on the outcome of any litigation. It is also not uncommon for a manufacturer of an approved product to file a citizen petition with the FDA seeking to delay approval of, or impose additional approval requirements for, pending competing products. If successful, such petitions can significantly delay, or even prevent, the approval of the new product. However, even if the FDA ultimately denies such a petition, the FDA may substantially delay approval while it considers and responds to the petition.

Moreover, even if D-PLEX₁₀₀ or any future product candidates are approved under the Section 505(b)(2) pathway, as the case may be, the approval may be subject to limitations on the indicated uses for which the products may be marketed or to other conditions of approval, or may contain requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the products.

PLEX is a novel technology, which makes it difficult to accurately and reliably predict the time and cost of development and of subsequently obtaining regulatory approval of D-PLEX₁₀₀ or any future PLEX product candidates.

We have concentrated our efforts and product research on our PLEX drug delivery technology, and our future success depends on the successful development of this technology and products based on it. There can be no assurance that any development problems we experience in the future related to our product candidates will not cause significant delays or unanticipated costs, or that such development problems can be solved. We may be unable to maintain and further develop sustainable,

reproducible and scalable manufacturing processes, or transfer these processes to collaborators, which may prevent us from completing our clinical studies or commercializing our products on a timely or profitable basis, if at all. To our knowledge, no regulatory authority has granted approval to any person or entity, including us, to market and commercialize therapeutics using our novel delivery system. We may never receive approval to market and commercialize any product candidate that utilizes PLEX.

As an organization, we have not previously conducted pivotal clinical trials, and we may be unable to do so for any product candidates we may develop, including D-PLEX₁₀₀.

We will need to successfully complete pivotal clinical trials in order to obtain the approval of the FDA, EMA or other regulatory agencies to market D-PLEX₁₀₀ or any future product candidates. Carrying out later-stage clinical trials and the submission of a successful NDA is a complicated process. As an organization, we have not previously conducted any later stage or pivotal clinical trials and have limited experience in preparing, submitting and prosecuting regulatory filings. Consequently, we may be unable to successfully and efficiently execute and complete necessary clinical trials, including our ongoing and planned Phase 3 trials, in a way that leads to marketing approval of D-PLEX₁₀₀. We may require more time and incur greater costs than our competitors and may not succeed in obtaining regulatory approvals of product candidates that we develop. Failure to commence or complete, or delays in, our planned clinical trials, could prevent us from or delay us in commercializing D-PLEX₁₀₀. See "[Risks Related to our Reliance on Third Parties](#)—We rely on third parties to conduct certain elements of our preclinical and clinical trials and perform other tasks for us. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or comply with regulatory requirements, we may not be able to obtain regulatory approval for or commercialize our product candidates."

We may find it difficult to enroll patients in our clinical trials, which could delay or prevent us from proceeding with such trials.

Identifying and qualifying patients to participate in our clinical trials is critical to our success. The timing of our clinical trials depends in part on the speed at which we can recruit patients to participate in testing our product candidates, and we may experience delays in our clinical trials if we encounter difficulties in enrollment. Patient enrollment and retention in clinical trials depends on many factors, including the size of the patient population, the nature of the trial protocol, our ability to recruit clinical trial investigators with the appropriate competencies and experience, the existing body of safety and efficacy data with respect to the study drug, the number and nature of competing treatments and ongoing clinical trials of competing drugs for the same indication, the proximity of patients to clinical sites, clinicians' and patients' perceptions as to the potential advantages of the product candidate being studied in relation to other available therapies, including any drugs that may be approved for the indications we are investigating, the eligibility criteria for the trials, our ability to obtain and maintain patient consents and the risk that patients enrolled in clinical trials will drop out of the trials before completion. We may also experience disruptions in patient enrollment due to the COVID-19 pandemic, including difficulties in initiating clinical sites and enrolling and retaining participants, the diversion of healthcare resources away from clinical trials and challenges related to travel or quarantine policies that may be implemented. For example, we have paused enrollment in our Phase 3 trial of D-PLEX₁₀₀ for the prevention of sternal SSIs due to the COVID-19 pandemic, and we anticipate that enrollment may be further delayed if hospitals and patients delay the rescheduling of sternal surgeries as a result of COVID-19.

We may not be able to identify, recruit and enroll a sufficient number of patients to complete our clinical trials because of the perceived risks and benefits of the product candidate under study, the availability and efficacy of competing therapies and clinical trials, the proximity and availability of clinical trial sites for prospective patients and the patient referral practices of physicians. We may also

face challenges in identifying trial sites and enrolling patients in global trials such as our ongoing and planned Phase 3 trials of D-PLEX₁₀₀. If patients are unwilling to participate in our trials for any reason, the timeline for recruiting patients, conducting trials and obtaining regulatory approval of potential products will be delayed.

Our product candidates and the administration of our product candidates may cause undesirable side effects or have other properties that could delay or prevent their regulatory approval, limit the commercial profile of an approved label or result in significant negative consequences following marketing approval, if any.

Undesirable side effects, including toxicology, caused by D-PLEX₁₀₀ or any future product candidates, or the drugs encapsulated by such product candidates, could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA, EMA or other regulatory agencies. Results of our trials could reveal a high and unacceptable severity and prevalence of these or other side effects. In such an event, our clinical studies could be suspended or terminated, and the FDA, EMA or other regulatory agencies could order us to cease further development of or deny or withdraw approval of our product candidates for any or all targeted indications. Moreover, during the conduct of clinical trials, patients report changes in their health, including illnesses, injuries and discomforts, to their study doctor. Often, it is not possible to determine whether or not the product candidate being studied caused these conditions.

Drug-related, drug-product related, formulation-related and administration-related side effects could affect patient recruitment, the ability of enrolled patients to complete the clinical trials or result in potential product liability claims, which could exceed our clinical trial insurance coverage. We do not currently have product liability insurance and do not anticipate obtaining product liability insurance until such time as we have received FDA, EMA or other comparable foreign authority marketing approval for one of our product candidates and such product is being provided to patients outside of clinical trials.

Additionally, if one or more of our product candidates receives marketing approval, and we or others later identify undesirable side effects caused by such products, a number of potentially significant negative consequences could result, including but not limited to:

- regulatory authorities may suspend or withdraw approvals of such product;
- regulatory authorities may require additional warnings on the label, such as a "black box" warning or contraindication;
- additional restrictions may be imposed on the marketing of the particular product or the manufacturing processes for the product or any component thereof;
- we may be required to create a REMS, which could include a medication guide outlining the risks of such side effects for distribution to patients, a communication plan for healthcare providers and/or other elements to assure safe use;
- we may be required to recall a product, change the way a product candidate is administered or conduct additional clinical trials;
- we could be sued and held liable for harm caused to patients;
- the product may become less competitive; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the particular product candidate, if approved, and could significantly harm our business, results of operations and prospects.

Even if we complete the necessary clinical trials, we cannot predict when, or if, we will obtain regulatory approval to commercialize any of our product candidates, and the approval may be for a more narrow indication than we seek or be subject to other limitations or restrictions that limit its commercial profile.

We cannot commercialize a product candidate until the appropriate regulatory authorities have reviewed and approved the product candidate. Even if our current or future product candidates meet safety and efficacy endpoints in pivotal clinical trials, the regulatory authorities may not complete their review processes in a timely manner, or we may not be able to obtain regulatory approval. Additional delays may result if an FDA Advisory Committee or other regulatory authority recommends non-approval or restrictions on approval. This may include approval of a product candidate for more limited indications than requested or they may impose significant limitations in the form of warnings. In addition, we may experience delays or rejections based upon additional government regulation from future legislation or administrative action, or changes in regulatory authority policy during the period of product development, clinical trials and the review process.

Regulatory authorities also may approve a product candidate for more limited indications than requested or they may impose significant limitations in the form of warnings or a REMS. These regulatory authorities may require precautions or contra-indications with respect to conditions of use or they may grant approval subject to the performance of costly post-marketing clinical trials. In addition, regulatory authorities may not approve the labeling claims that are necessary or desirable for the successful commercialization of any of our product candidates. For example, the FDA may disagree that our ongoing and planned Phase 3 trials evaluating D-PLEX₁₀₀ for the prevention of post-cardiac surgery sternal SSIs and for the prevention of SSIs following abdominal surgery are sufficient to support either NDA submissions seeking approval for the specific indications under evaluation in our ongoing and planned Phase 3 trials or NDA submissions seeking approval for broader indications covering the prevention of SSIs. Although we intend to pursue a broad label for D-PLEX₁₀₀, to date we have not had any discussions with, nor received any feedback from, the FDA with respect to the possibility of pursuing a label broader than the prevention of post-cardiac surgery sternal SSIs or the prevention of SSIs following abdominal surgery. Even if the FDA were to agree that these trials were sufficient to support one or more NDA submissions, the FDA may determine that the data from these trials support more narrow indications than we may propose, if the FDA were to approve such NDA submissions at all. If the FDA does not agree that our ongoing and planned Phase 3 trials support the submission of an NDA for any indication, we will be required to conduct additional clinical trials to support our proposed indications. Any of the foregoing scenarios could materially harm the commercial prospects for our product candidates and materially and adversely affect our business, financial condition, results of operations and prospects.

Although D-PLEX₁₀₀ has been granted Qualified Infectious Disease Product designation by the FDA for the prevention of sternal wound infection after cardiac surgery and for the prevention of post-abdominal surgery incisional infection, these designations do not guarantee a shorter FDA review process, or that D-PLEX₁₀₀ will ultimately be approved by the FDA for any indication.

Under the Generating Antibiotic Incentives Now Act, or GAIN Act, the FDA may designate a product as a "qualified infectious disease product," or QIDP. In order to receive this designation, a drug must qualify as an antibacterial or antifungal drug for human use intended to treat serious or life-threatening infections, including those caused by either (1) an antibacterial or antifungal resistant pathogen, including novel or emerging infectious pathogens, or (2) a so-called "qualifying pathogen" found on a list of potentially dangerous, drug-resistant organisms established and maintained by the FDA under the GAIN Act. A sponsor must request such designation before submitting a marketing application. We requested and received QIDP designations for D-PLEX₁₀₀ for the prevention of sternal wound infection after cardiac surgery and for the prevention of post-abdominal surgery incisional infection. We anticipate that the QIDP designations will provide, among other benefits, an overall

increased level of communication with the FDA during the development process. The benefits of QIDP designation also include eligibility for priority review and an extension by an additional five years of any non-patent market exclusivity period awarded, such as a five-year exclusivity period awarded for a new molecular entity or a three-year market exclusivity period awarded to an applicant whose application relies on new clinical investigations essential to the approval. This extension is in addition to any pediatric exclusivity extension that may be awarded. GAIN Act exclusivity may not be awarded if the indication for which we obtain approval does not meet the definition of a qualified infectious disease product. However, there is limited precedent for understanding the way in which the GAIN Act will be implemented. Receipt of QIDP designation in practice may not result in a faster development process, review or approval compared to drugs considered for approval under conventional FDA procedures, and does not assure ultimate approval by the FDA or related exclusivity benefits.

Fast Track Designation from the FDA may not actually lead to a faster development or regulatory review or approval process.

We received Fast Track Designation from the FDA for D-PLEX₁₀₀ for topical use for the prevention of post-cardiac surgery sternal infections. We may seek Fast Track Designation for future product candidates.

If a product candidate is intended for the treatment of a serious or life-threatening condition and the product candidate demonstrates the potential to address unmet medical needs for this condition, the product sponsor may apply for Fast Track Designation. The FDA has broad discretion whether or not to grant this designation, so even if we believe one of our product candidates is eligible for this designation, we cannot assure you that the FDA would decide to grant it. Even if we do receive Fast Track Designation, such as the Fast Track Designation received for D-PLEX₁₀₀, we may not experience a faster development process, review or approval compared to conventional FDA procedures. The FDA may withdraw Fast Track Designation if it believes that the designation is no longer supported by data from our clinical development program.

Breakthrough therapy designation by the FDA may not lead to a faster development or regulatory review or approval process.

We may seek a breakthrough therapy designation for one or more product candidates. A breakthrough therapy is defined as a product candidate that is intended, alone or in combination with one or more other drugs, to treat a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the product candidate may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. For product candidates that have been designated as breakthrough therapies, interaction and communication between the FDA and the sponsor of the trial can help to identify the most efficient path for clinical development while minimizing the number of patients placed in ineffective control regimens. Product candidates designated as breakthrough therapies by the FDA are also eligible for priority review if supported by clinical data at the time of the submission of the BLA.

Designation as a breakthrough therapy is within the discretion of the FDA. Accordingly, even if we believe that one of our product candidates meets the criteria for designation as a breakthrough therapy, the FDA may disagree and instead determine not to make such designation. In any event, the receipt of a breakthrough therapy designation for a product candidate may not result in a faster development process, review or approval compared to product candidates considered for approval under conventional FDA procedures and it would not assure ultimate approval by the FDA. In addition, even if one or more of our product candidates qualify as breakthrough therapies, the FDA may later decide that the product candidate no longer meets the conditions for qualification or it may decide that the time period for FDA review or approval will not be shortened.

Even if we obtain regulatory approval for a product candidate, our products and business will remain subject to ongoing regulatory obligations and review.

If our product candidates are approved, they will be subject to ongoing regulatory requirements for manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping, conduct of post-marketing studies and submission of safety, efficacy and other post-market information, including both federal and state requirements in the United States and comparable requirements outside of the United States. Accordingly, we and others with whom we work must continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production and quality control.

Any regulatory approvals that we receive for our product candidates may also be subject to limitations on the approved indicated uses for which the product may be marketed or to the conditions of approval, or contain requirements for potentially costly post-marketing testing, including Phase 4 clinical trials, and surveillance to monitor the safety and efficacy of the product candidate. The FDA may also require a REMS as a condition of approval of our product candidates, which could include requirements for a medication guide, physician communication plans or additional elements to ensure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. We will also be required to report certain adverse reactions and production problems, if any, to the FDA, EMA or other regulatory agencies and to comply with requirements concerning advertising and promotion for our products. Promotional communications with respect to prescription drugs are subject to a variety of legal and regulatory restrictions and must be consistent with the information in the product's approved label. As such, we may not promote our products for indications or uses for which they do not have FDA, EMA or other regulatory agency approval. The holder of an approved NDA must also submit new or supplemental applications and obtain FDA approval for certain changes to the approved product, product labeling, or manufacturing process. We could also be asked to conduct post-marketing clinical trials to verify the safety and efficacy of our product candidates in general or in specific patient subsets. An unsuccessful post-marketing trial or failure to complete such a clinical trial could result in the withdrawal of marketing approval. Furthermore, any new legislation addressing drug safety issues could result in delays in product development or commercialization or increased costs to assure compliance. Foreign regulatory authorities impose similar requirements. If a regulatory agency discovers previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or disagrees with the promotion, marketing or labeling of a product, such regulatory agency may impose restrictions on that product or us, including requiring withdrawal of the product from the market. If we fail to comply with applicable regulatory requirements, a regulatory agency or enforcement authority may, among other things:

- issue warning letters asserting that we are in violation of the law;
- seek an injunction or impose civil or criminal penalties or monetary fines;
- suspend or withdraw regulatory approval;
- suspend any of our ongoing clinical trials;
- refuse to approve pending applications or supplements to approved applications submitted by us or our strategic partners;
- restrict the marketing or manufacturing of our products;
- seize or detain products, or require a product recall;
- refuse to permit the import or export of our product candidates; or
- refuse to allow us to enter into government contracts.

Any government investigation of alleged violations of law could require us to expend significant time and resources in response and could generate negative publicity. Any failure to comply with

ongoing regulatory requirements may significantly and adversely affect our ability to commercialize and generate revenue from our product candidates. If regulatory sanctions are applied or if regulatory approval is withdrawn, the value of our company and our operating results will be adversely affected.

The FDA's and other regulatory authorities' policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained and we may not achieve or sustain profitability, which would adversely affect our business, prospects, financial condition and results of operations.

We also cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative or executive action, either in the United States or abroad. For example, certain policies of the Trump administration may impact our business and industry. Namely, the Trump administration has taken several executive actions, including the issuance of a number of Executive Orders, that could impose significant burdens on, or otherwise materially delay, the FDA's ability to engage in routine regulatory and oversight activities such as implementing statutes through rulemaking, issuance of guidance, and review and approval of marketing applications. It is difficult to predict how these Executive Orders will be implemented, and the extent to which they will impact the FDA's ability to exercise its regulatory authority. If these executive actions impose constraints on FDA's ability to engage in oversight and implementation activities in the normal course, our business may be negatively impacted.

Disruptions at the FDA and other government agencies caused by funding shortages or global health concerns could hinder their ability to hire, retain or deploy key leadership and other personnel, or otherwise prevent new or modified products from being developed, approved or commercialized in a timely manner or at all, which could negatively impact our business.

The ability of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels, statutory, regulatory, and policy changes, the FDA's ability to hire and retain key personnel and accept the payment of user fees, and other events that may otherwise affect the FDA's ability to perform routine functions. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of other government agencies that fund research and development activities is subject to the political process, which is inherently fluid and unpredictable. Disruptions at the FDA and other agencies may also slow the time necessary for new drugs or modifications to approved drugs to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, including for 35 days beginning on December 22, 2018, the U.S. government has shut down several times and certain regulatory agencies, such as the FDA, have had to furlough critical FDA employees and stop critical activities.

Separately, in response to the COVID-19 pandemic, on March 10, 2020 the FDA announced its intention to postpone most foreign inspections of manufacturing facilities and subsequently, on March 18, 2020, the FDA announced its intention to temporarily postpone routine surveillance inspections of domestic manufacturing facilities. Regulatory authorities outside the United States may adopt similar restrictions or other policy measures in response to the COVID-19 pandemic.

If a prolonged government shutdown occurs, or if global health concerns continue to prevent the FDA or other regulatory authorities from conducting their regular inspections, reviews, or other regulatory activities, it could significantly impact the ability of the FDA or other regulatory authorities to timely review and process our regulatory submissions, which could have a material adverse effect on our business.

We may be subject, directly or indirectly, to U.S. federal and state healthcare fraud and abuse laws, false claims laws, physician payment transparency laws and health information privacy and security laws. If we are unable to comply, or have not fully complied, with such laws, we could face substantial penalties.

Our current and future operations may be directly or indirectly through our relationships with U.S. healthcare providers, patients and other persons and entities, subject to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain our business or financial arrangements and relationships through which we research, market, sell and distribute our products in the United States. In addition, we may be subject to patient privacy regulation by both the federal government and the states in which we conduct our business. The laws that may affect our ability to operate include:

- The U.S. Anti-Kickback Statute prohibits, among other things, any person or entity from knowingly and willfully offering, paying, soliciting, receiving or providing any remuneration, directly or indirectly, overtly or covertly, to induce or in return for purchasing, leasing, ordering or arranging for or recommending the purchase, lease or order of any item or service reimbursable, in whole or in part, under Medicare, Medicaid or other U.S. federal healthcare programs. The U.S. Anti-Kickback Statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand and prescribers, purchasers, and formulary managers, among others, on the other. There are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution, but the exceptions and safe harbors are drawn narrowly and require strict compliance in order to offer protection.
- The U.S. federal false claims laws, including the False Claims Act, or FCA, and civil monetary penalties laws, which prohibit any person or entity from, among other things, knowingly presenting, or causing to be presented, a false, fictitious or fraudulent claim for payment to, or approval by, the U.S. federal government or knowingly making, using or causing to be made or used a false record or statement material to a false or fraudulent claim to the U.S. federal government. As a result of a modification made by the Fraud Enforcement and Recovery Act of 2009, a claim includes "any request or demand" for money or property presented to the U.S. government. In addition, manufacturers can be held liable under the FCA even when they do not submit claims directly to government third-party payors if they are deemed to "cause" the submission of false or fraudulent claims. The FCA also permits a private individual acting as a "whistleblower" to bring actions on behalf of the federal government alleging violations of the FCA and to share in any monetary recovery. FCA liability is potentially significant in the healthcare industry because the statute provides for treble damages and mandatory penalties per false claim or statement. Government enforcement agencies and private whistleblowers have investigated pharmaceutical companies for or asserted liability under the FCA for a variety of alleged promotional and marketing activities, such as providing free product to customers with the expectation that the customers would bill federal programs for the product; providing consulting fees and other benefits to physicians to induce them to prescribe products; engaging in promotion for "off-label" uses; and submitting inflated best price information to the Medicaid Rebate Program.
- The U.S. Health Insurance Portability and Accountability Act of 1996, or HIPAA, prohibits, among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services.

- The Physician Payments Sunshine Act, enacted as part of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively, the ACA, imposes, among other things, annual reporting requirements for covered manufacturers for certain payments and "transfers of value" provided to physicians, as defined by such law, and teaching hospitals, as well as ownership and investment interests held by the physicians described above and their immediate family members. Beginning in 2022, applicable manufacturers also will be required to report such information regarding payments and transfers of value provided, as well as ownership and investment interests held, during the previous year to physician assistants, nurse practitioners, clinical nurse specialists, certified nurse anesthetists and certified nurse midwives.
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and their respective implementing regulations, impose, among other things, specified requirements relating to the privacy, security and transmission of individually identifiable health information held by covered entities, which include certain healthcare providers, health plans and healthcare clearinghouses, and their business associates, which include individuals or entities that perform services for covered entities that involve the creation, use, maintenance or disclosure of, individually identifiable health information. HITECH also created new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in U.S. federal courts to enforce the federal HIPAA laws and seek attorneys' fees and costs associated with pursuing federal civil actions. In addition, state laws govern the privacy and security of health information in specified circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.
- European and other foreign law equivalents of each of the laws, including reporting requirements detailing interactions with and payments to healthcare providers.

Many states have analogous state laws and regulations, such as state anti-kickback and false claims laws, that may apply to our business practices, including but not limited to, research, distribution, sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers. In addition, certain states require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the U.S. federal government. Certain states and local jurisdictions require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers and register pharmaceutical sales representatives. Additionally, certain states also require pharmaceutical companies to file reports relating to pricing information or marketing expenditures and have laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available, it is possible that some of our business activities could be subject to challenge under one or more of such laws. In addition, the ACA has strengthened these laws. For example, recent health care reform legislation, has among other things, amended the intent requirement of the U.S. Anti-Kickback statute and certain criminal healthcare fraud statutes. A person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it. Moreover, the ACA provides that the government may assert that a claim including items or services resulting from a violation of the federal anti-kickback statute constitutes a false or fraudulent claim for purposes of the False Claims Act.

Ensuring that our internal operations and business arrangements with third parties comply with applicable healthcare laws and regulations will likely be costly. It is possible that governmental authorities will conclude that our business practices, including arrangements we may have with physicians and other healthcare providers, some of whom may receive stock options as compensation for services provided, do not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations were found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, disgorgement, imprisonment, possible exclusion from government funded healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, additional reporting obligations and oversight if we become subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, and curtailment of our operations, any of which could substantially disrupt our operations. If the physicians or other providers or entities with whom we expect to do business are found not to be in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

Legislative or regulatory healthcare reforms in the United States may make it more difficult and costly for us to obtain regulatory clearance or approval of our product candidates and to produce, market and distribute our products after clearance or approval is obtained.

From time to time, legislation is drafted and introduced in Congress that could significantly change the statutory provisions governing the regulatory clearance or approval, manufacture and marketing of regulated products or the reimbursement thereof. In addition, FDA regulations and guidance are often revised or reinterpreted by the FDA in ways that may significantly affect our business and our products. Any new regulations or revisions or reinterpretations of existing regulations may impose additional costs or lengthen review times of our product candidates. We cannot determine what effect changes in regulations, statutes, legal interpretation or policies, when and if promulgated, enacted or adopted may have on our business in the future. Such changes could, among other things, require:

- changes to manufacturing methods;
- change in protocol design;
- additional treatment arm (control);
- recall, replacement, or discontinuance of one or more of our products; and
- additional recordkeeping.

In addition, in the United States, there have been a number of legislative and regulatory proposals to change the health care system in ways that could affect our ability to sell our products profitably. The pharmaceutical industry in the United States, as an example, has been affected by the passage of the ACA, which, among other things, imposed new fees on entities that manufacture or import certain branded prescription drugs and expanded pharmaceutical manufacturer obligations to provide discounts and rebates to certain government programs. There remain judicial and Congressional challenges to certain aspects of the ACA, as well as efforts by the Trump administration to repeal or replace certain aspects of the ACA. Concurrently, Congress has considered legislation that would repeal or repeal and replace all or part of the ACA. While Congress has not passed comprehensive repeal legislation, several bills affecting the implementation of certain taxes under the ACA have been enacted. The Tax Cuts and Jobs Act of 2017 includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate". In addition, the 2020 federal spending package permanently eliminated, effective January 1,

2020, the ACA-mandated "Cadillac" tax on high-cost employer-sponsored health coverage and medical device tax and, effective January 1, 2021, also eliminates the health insurer tax. On December 14, 2018, a Texas U.S. District Court Judge ruled that the ACA is unconstitutional in its entirety because the "individual mandate" was repealed by Congress as part of the Tax Act. Additionally, on December 18, 2019, the U.S. Court of Appeals for the 5th Circuit upheld the District Court ruling that the individual mandate was unconstitutional and remanded the case back to the District Court to determine whether the remaining provisions of the ACA are invalid as well. On March 2, 2020, the United States Supreme Court granted the petitions for writs of certiorari to review this case, and has allotted one hour for oral arguments, which are expected to occur in the fall. It is unclear how such litigation and other efforts to repeal and replace the ACA will impact the ACA and our business.

Other legislative changes have been proposed and adopted in the United States since the ACA was enacted. For example, the Coronavirus Aid, Relief and Economic Security Act, or CARES Act, which was signed into law in March 2020 and is designed to provide financial support and resources to individuals and businesses affected by the COVID-19 pandemic, suspended the 2% Medicare sequester from May 1, 2020 through December 31, 2020, and extended the sequester by one year, through 2030.

Further, there has been particular and increasing legislative and enforcement interest in the United States with respect to drug pricing practices in recent years, particularly with respect to drugs that have been subject to relatively large price increases over relatively short time periods. There have been several recent U.S. Congressional inquiries and proposed bills designed to, among other things, bring more transparency to drug pricing, reduce the cost of prescription drugs under Medicare, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drugs. At the federal level, the Trump administration's budget proposal for fiscal year 2021 includes a \$135 billion allowance to support legislative proposals seeking to reduce drug prices, increase competition, lower out-of-pocket drug costs for patients, and increase patient access to lower-cost generic and biosimilar drugs. On March 10, 2020, the Trump administration sent "principles" for drug pricing to Congress, calling for legislation that would, among other things, cap Medicare Part D beneficiary out-of-pocket pharmacy expenses, provide an option to cap Medicare Part D beneficiary monthly out-of-pocket expenses, and place limits on pharmaceutical price increases. Further, the Trump administration previously released a "Blueprint" to lower drug prices and reduce out of pocket costs of drugs that contained proposals to increase drug manufacturer competition, increase the negotiating power of certain federal healthcare programs, incentivize manufacturers to lower the list price of their products, and reduce the out of pocket costs of drug products paid by consumers. The Department of Health and Human Services, or HHS, has solicited feedback on some of these measures and has implemented others under its existing authority. For example, in May 2019, the Centers for Medicare & Medicaid Services, or CMS, issued a final rule to allow Medicare Advantage plans the option to use step therapy for Part B drugs beginning January 1, 2020. This final rule codified CMS's policy change that was effective January 1, 2019. While some of these and other measures may require additional authorization to become effective, Congress and the Trump administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs. Individual states in the United States have also become increasingly active in passing legislation and implementing regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and in some cases, designed to encourage importation from other countries and bulk purchasing. In the future, there will likely continue to be proposals relating to the reform of the U.S. healthcare system, some of which could further limit coverage and reimbursement of drug products, including our product candidates. It is possible that additional governmental action is taken to address the COVID-19 pandemic, but there can be no certainty regarding what, if any, such action may be. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private

payors. Our results of operations could be adversely affected by the ACA and by other health care reforms that may be enacted or adopted in the future.

We face intense competition in an environment of rapid technological change and the possibility that our competitors may develop products and drug delivery systems that are similar, more advanced or more effective than ours, which may adversely affect our financial condition and our ability to successfully market or commercialize our product candidates.

The pharmaceutical industry in which we operate is intensely competitive and subject to rapid and significant technological change. We are currently aware of various existing therapies in the market and in development that may in the future compete with our product candidates, including other therapies that address the management of SSIs, as well as other drug delivery mechanisms that utilize polymer and/or lipid technology to deliver APIs at the local level. Other approaches may also emerge for the prevention or treatment of any of the indications on which we focus, and new technologies may emerge in localized drug delivery.

We have competitors both in the United States and internationally, including major multinational pharmaceutical companies and specialty pharmaceutical companies. Our competitors may succeed in developing, acquiring or licensing on an exclusive basis products that are more effective or less costly than any product candidate that we may develop, or achieve earlier patent protection, regulatory approval, product commercialization and market penetration than we do. Additionally, technologies developed by our competitors may render our potential product candidates uneconomical or obsolete, and we may not be successful in marketing our product candidates against competitors. See "Business—Competition."

Even if we obtain and maintain approval for D-PLEX₁₀₀ or our other product candidates from the FDA, we may never obtain approval outside of the United States, which would limit our market opportunities and adversely affect our business.

Approval of a product candidate in the United States by the FDA does not ensure approval of such product candidate by regulatory authorities in other countries or jurisdictions, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or by the FDA. However, the failure to obtain approval from the FDA or other regulatory authorities may negatively impact our ability to obtain approval in other foreign countries. Sales of D-PLEX₁₀₀ or our other product candidates outside of the United States will be subject to foreign regulatory requirements governing clinical trials and marketing approval. Even if the FDA grants marketing approval for a product candidate, comparable regulatory authorities of foreign countries also must approve the manufacturing and marketing of the product candidate in those countries. Approval procedures vary among jurisdictions and can involve requirements and administrative review periods different from, and more onerous than, those in the United States, including additional preclinical studies or clinical trials. In many countries outside the United States, a product candidate must be approved for reimbursement before it can be approved for sale in that country. In some cases, the price that we intend to charge for our product candidates, if approved, is also subject to approval.

We intend to submit a marketing authorization application to the EMA for approval of D-PLEX₁₀₀ in the European Union, but obtaining such approval from the European Commission following the opinion of the EMA is a lengthy and expensive process. Even if a product candidate is approved, the applicable regulatory agency may limit the indications for which the product may be marketed, require extensive warnings on the product labeling or require expensive and time-consuming additional clinical trials or reporting as conditions of approval. Regulatory authorities in countries outside of the United States and the European Union also have requirements for approval of product candidates with which we must comply prior to marketing in those countries. Obtaining foreign regulatory approvals and

compliance with foreign regulatory requirements could result in significant delays, difficulties and costs for us and could delay or prevent the introduction of our product candidates in certain countries.

Further, clinical trials conducted in one country may not be accepted by regulatory authorities in other countries. Also, regulatory approval for a product candidate may be withdrawn. If we fail to comply with the regulatory requirements, our target market will be reduced and our ability to realize the full market potential of D-PLEX₁₀₀ or our other product candidates will be harmed and our business, financial condition, results of operations and prospects will be adversely affected.

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

Prescription drugs may be promoted only for the approved indications in accordance with the approved label. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label may be subject to significant liability. If the FDA does not agree that our data support the submission of an NDA seeking approval for the prevention of SSIs generally or SSIs in bone and soft tissue, we intend to seek marketing approval for D-PLEX₁₀₀ for the prevention of sternal SSIs after cardiac surgery and the prevention of SSIs in patients undergoing abdominal surgery. We will train our marketing and sales personnel to not promote our products, if approved, for any off-label uses. We cannot, however, prevent a physician from using our products off-label, when in the physician's independent professional medical judgment he or she deems it appropriate. For example, if we obtain approval of D-PLEX₁₀₀ for the prevention of sternal SSIs after cardiac surgery and/or the prevention of SSIs in patients undergoing abdominal surgery, physicians may nevertheless decide to use D-PLEX₁₀₀ in an attempt to prevent infections in connection with other types of surgeries, and there may be increased risk of injury to patients if physicians attempt to use our products for these uses for which they are not approved. While the FDA does not regulate the behavior of physicians in their choice of treatments, the FDA does restrict manufacturer's communications on the subject of off-label use of their products. Furthermore, the use of our products for indications other than those approved by the FDA or any foreign regulatory body may not effectively treat such conditions, which could harm our reputation in the marketplace among physicians and patients.

If the FDA, EMA or any foreign regulatory body determines that our promotional materials or training constitute promotion of an off-label use, it could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, including the issuance or imposition of an untitled letter, which is used for violators that do not necessitate a warning letter, injunction, seizure, civil fine or criminal penalties. It is also possible that other federal, state or foreign enforcement authorities might take action under other regulatory authority, such as false claims laws, if they consider our business activities to constitute promotion of an off-label use, which could result in significant penalties, including, but not limited to, criminal, civil and administrative penalties, damages, fines, disgorgement, exclusion from participation in government healthcare programs and the curtailment of our operations.

Risks Related to our Reliance on Third Parties

We rely on third parties to conduct certain elements of our preclinical studies and clinical trials and perform other tasks for us. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or comply with regulatory requirements, we may not be able to obtain regulatory approval for or commercialize our product candidates.

We have relied upon, and plan to continue to rely upon, third-party vendors, including CROs, to monitor and manage data for our ongoing preclinical studies and clinical trials. If our CROs do not

successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols, regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated, and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates. We rely on these CROs for execution of our preclinical studies and clinical trials, and we control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol, legal, regulatory and scientific standards, and our reliance on the vendors and CROs does not relieve us of our regulatory responsibilities. We and our CROs and other vendors are required to comply with good clinical practice, cGMP, the Helsinki Declaration, the International Conference on Harmonization Guideline for Good Clinical Practice, applicable European Commission Directives on Clinical Trials, laws and regulations applicable to clinical trials conducted in other territories, and good laboratory practices, or GLP, which are regulations and guidelines enforced by the FDA, the Competent Authorities of the Member States of the European Economic Area, or EEA, and comparable foreign regulatory authorities for all of our product candidates in clinical development. Regulatory authorities enforce these regulations through periodic inspections of study sponsors, principal investigators, study sites and other contractors. If we or any of our CROs or vendors fail to comply with applicable regulations, including GCP and cGMP regulations, the clinical data generated in our clinical studies may be deemed unreliable and the FDA, EMA or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process.

If any of our relationships with these third-party CROs or vendors terminate, we may not be able to enter into arrangements with alternative CROs or vendors or do so on commercially reasonable terms. In addition, our CROs are not our employees, and, except for remedies available to us under our agreements with such CROs, we cannot control whether or not they devote sufficient time and resources to our ongoing clinical, nonclinical and preclinical programs. If CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols, regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated, and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates. CROs may also generate higher costs than anticipated, which could adversely affect our results of operations and the commercial prospects for our product candidates, increase our costs and delay our ability to generate revenue.

Replacing or adding additional CROs involves additional cost and requires management time and focus. In addition, there is a natural transition period when a new CRO commences work. As a result, delays occur, which can materially impact our ability to meet our desired clinical development timelines. Though we carefully manage our relationships with our CROs, we may encounter similar challenges or delays in the future, which could have a material adverse impact on our business, financial condition and prospects.

Independent clinical investigators and CROs that we engage to conduct our clinical trials may not devote sufficient time or attention to our clinical trials or be able to repeat their past success.

We expect to continue to depend on third parties, including independent clinical investigators and CROs, to conduct our clinical trials. CROs may also assist us in the collection and analysis of data. There is a limited number of third-party service providers and vendors that specialize or have the expertise required to achieve our business objectives. Identifying, qualifying and managing performance of third-party service providers can be difficult, time consuming and cause delays in our development programs.

These investigators and CROs will not be our employees and we will not be able to control, other than through contract, the amount of resources, including time, which they devote to our product candidates and clinical trials. If independent investigators or CROs fail to devote sufficient resources to the development of our product candidates, or if their performance is substandard, it may delay or compromise the prospects for approval and commercialization of any product candidates that we develop. Further, the performance of our CROs may also be interrupted by the ongoing COVID-19 pandemic, including due to travel or quarantine policies, heightened exposure of CRO staff who are healthcare providers to COVID-19 patients or prioritization of resources toward the COVID-19 pandemic.

Investigators for our clinical trials may serve as scientific advisors or consultants to us from time to time and receive compensation in connection with such services. Under certain circumstances, we may be required to report some of these relationships to the FDA or other regulatory authorities. The FDA or other regulatory authorities may conclude that a financial relationship between us and an investigator has created a conflict of interest or otherwise affected interpretation of the trial. The FDA or other regulatory authorities may therefore question the integrity of the data generated at the applicable clinical trial site and the utility of the clinical trial itself may be jeopardized. This could result in a delay in approval or rejection of our marketing applications by the FDA or other regulatory authorities, as the case may be, and may ultimately lead to the denial of marketing approval of one or more of our product candidates.

In addition, the use of third-party service providers requires us to disclose our proprietary information to these parties, which could increase the risk that this information will be misappropriated. Further, the FDA and other regulatory authorities require that we comply with standards, commonly referred to as GCP, for conducting, recording and reporting clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial subjects are protected. Failure of clinical investigators or CROs to meet their obligations to us or comply with GCP procedures could adversely affect the clinical development of our product candidates and harm our business.

We rely on third parties to manufacture the raw materials, including the active pharmaceutical ingredients that we use to create our product candidates. Our business could be harmed if existing and prospective third parties fail to provide us with sufficient quantities of these materials and products or fail to do so at acceptable quality levels or prices.

We rely on third party suppliers for certain raw materials necessary to manufacture our product candidates for our preclinical studies and clinical trials. Some of these raw materials are difficult to source. Because there are a limited number of suppliers for these raw materials, we may need to engage alternate suppliers to prevent a possible disruption of the manufacture of the materials necessary to produce our product candidates for our clinical trials, and if approved, ultimately for commercial sale. In several cases, we rely on a sole provider, and there may be a need to identify additional providers in the future. We do not have any control over the availability of raw materials. If we or our manufacturers are unable to purchase these raw materials on acceptable terms, at sufficient quality levels, or in adequate quantities, if at all, the development and commercialization of our product candidates or any future product candidates, would be delayed or there would be a shortage in supply, which would impair our ability to meet our development objectives for our product candidates or generate revenues from the sale of any approved products.

Even following our establishment of our own cGMP-compliant manufacturing capabilities, we intend to continue to rely on third party suppliers for these raw materials, which will continue to expose us to manufacturing risks including:

- reduced control for certain aspects of manufacturing activities;

- termination or nonrenewal of manufacturing and service agreements with third parties in a manner or at a time that is costly or damaging to us; and
- disruptions to the operations of our third-party manufacturers and service providers caused by conditions unrelated to our business or operations, including the bankruptcy of the manufacturer or service provider.

Certain of our raw material suppliers will be required to become cGMP-compliant and establish a drug master file for the applicable ingredient before we can submit our NDA for D-PLEX₁₀₀. If these suppliers do not successfully carry out their contractual duties or manufacture our raw materials in accordance with regulatory requirements, we will not be able to submit our NDA as planned or complete, or may be delayed in completing, the clinical trials required for approval of D-PLEX₁₀₀. In such instances, we may need to locate an appropriate replacement third-party relationship, which may not be readily available or on acceptable terms, which would cause additional delay or increased expense prior to the approval of D-PLEX₁₀₀ and would thereby have a material adverse effect on our business, financial condition, results of operations and prospects.

Additionally, we have not yet entered into binding agreements with certain third-party manufacturers to produce the raw materials and products that we use to manufacture our product candidates. Although we intend to rely on third-party manufacturers for the raw materials and products to support the manufacturing of our product candidates for commercialization, we have not yet entered into agreements with certain manufacturers. We may be unable to negotiate binding agreements with the manufacturers to support our commercialization activities at commercially reasonable terms.

Although we have established our own manufacturing facility, we may utilize third parties as needed to conduct our product manufacturing. Therefore, we are subject to the risk that this third party may not perform satisfactorily.

Although we expect that our manufacturing facility will be the primary source of clinical and commercial supply for D-PLEX₁₀₀ for at least the first 30 months following a commercial launch, if approved, we intend to evaluate potential third-party manufacturing capabilities if necessary to meet further commercial demand. In the event that we engage third-party manufacturers and they do not successfully carry out their contractual duties, meet expected deadlines or manufacture D-PLEX₁₀₀ in accordance with regulatory requirements or if there are disagreements between us and any third-party manufacturer, we may be delayed in producing sufficient clinical and commercial supply of D-PLEX₁₀₀ or other product candidates. In such instances, we may need to locate an appropriate replacement third-party relationship, which may not be readily available or on acceptable terms, which would cause additional delay or increased expense and would thereby have a material adverse effect on our business, financial condition, results of operations and prospects.

The manufacture of pharmaceutical products is complex and requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. We and our contract manufacturers must comply with cGMP requirements. In the event that our contract manufacturers fail to meet cGMP requirements, we may be delayed or unable to supply our products. In addition, manufacturers of pharmaceutical products often encounter difficulties in production, particularly in scaling up and validating initial production and contamination controls. These problems include difficulties with production costs and yields, quality control, including stability of the product, quality assurance testing, operator error, shortages of qualified personnel, as well as compliance with strictly enforced federal, state and foreign regulations. Furthermore, if microbial, viral or other contaminations are discovered in our product candidates or in the manufacturing facilities in which our product candidates are made, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination.

We also rely on third party manufacturers to conduct quality control reviews of and sterilization services for our product candidates or any approved products. We cannot assure you that any stability, sterility or other issues relating to the manufacture of any of our product candidates or any approved products will not occur in the future.

Additionally, our third-party manufacturers may experience manufacturing difficulties due to resource constraints or as a result of labor disputes or unstable political environments. If our third-party manufacturers were to encounter any of these difficulties, our ability to provide any products to patients, once approved, would be jeopardized. Any adverse developments affecting commercial manufacturing may result in shipment delays, inventory shortages, lot failures, product withdrawals or recalls or other interruptions in the supply of an approved product. We may also have to take inventory write-offs and incur other charges and expenses for products that fail to meet specifications, undertake costly remediation efforts or seek more costly manufacturing alternatives. Accordingly, failures or difficulties faced at any level of our supply chain could materially adversely affect our business and delay and could have a material adverse effect on our business, prospects, financial condition and results of operations. Some of these events could be the basis for FDA action, including injunction, recall, seizure or total or partial suspension of product manufacture.

Our reliance on third parties requires us to share our trade secrets and intellectual property, which increases the possibility that a competitor will discover them or that our trade secrets and intellectual property will be misappropriated or disclosed.

Because we rely on third parties to provide us with the materials that we use to develop and, if appropriate in the future, manufacture our product candidates or approved products, we may, at times, share trade secrets and intellectual property with such third parties. We seek to protect our proprietary technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, collaborative research agreements, consulting agreements, or other similar agreements with our collaborators, advisors, employees and consultants prior to beginning research or disclosing proprietary information. These agreements typically limit the rights of the third parties to use or disclose our confidential information, such as trade secrets and intellectual property. Despite the contractual provisions employed when working with third parties, the need to share trade secrets and other confidential information increases the risk that such trade secrets become known by our competitors, are inadvertently incorporated into the technology of others, or are disclosed or used in violation of these agreements. Given that our proprietary position is based, in part, on our know-how and trade secrets, a competitor's discovery of our trade secrets or other unauthorized use or disclosure would impair our competitive position and may have a material adverse effect on our business.

Despite our efforts to protect our trade secrets, our competitors may discover our trade secrets, either through breach of these agreements, independent development or publication of information including our trade secrets by third parties. A competitor's discovery of our trade secrets would impair our competitive position and have an adverse impact on our business, financial condition, results of operations and prospects.

Risks Related to Our Intellectual Property

If we are unable to obtain and maintain effective patent rights for our product candidates or any future product candidates, we may not be able to compete effectively in our markets. If we are unable to protect the confidentiality of our trade secrets or know-how, such proprietary information may be used by others to compete against us.

We rely upon a combination of patents, trade secret protection and confidentiality agreements to protect the intellectual property related to our technologies and product candidates. Our success depends in large part on our ability to obtain and maintain patent and other intellectual property

protection in the United States and in other countries with respect to our proprietary technology and product candidates.

We have sought to protect our proprietary position by filing patent applications in the United States and in other countries, with respect to our novel technologies and product candidates, which are important to our business. Patent prosecution is expensive and time consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection.

As of May 31, 2020, our portfolio of owned patents and patent applications consists of seven families that protect our technology, including 79 issued patents, including utility and composition of matter patents, four allowed patent applications and 32 pending patent applications in jurisdictions in the United States, the European Patent Office, Canada, Australia, China, Japan, Israel, Brazil, the Eurasian Patent Organization, India, Mexico, New Zealand, the Philippines, Singapore, South Korea and Thailand. We cannot offer any assurances about which, if any, patents will issue, the breadth of any such patent or whether any issued patents will be found invalid and unenforceable or will be threatened by third parties. Any successful opposition to these patents or any other patents owned by or licensed to us after patent issuance could deprive us of rights necessary for the successful commercialization of any product candidates that we may develop. Further, if we encounter delays in regulatory approvals, the period of time during which we could market a product candidate under patent protection could be reduced.

Further, the patent position of pharmaceutical companies generally is highly uncertain and involves complex legal and factual questions for which legal principles remain unsolved. This renders the patent prosecution process particularly expensive and time-consuming. There is no assurance that all potentially relevant prior art relating to our patent applications has been found, which can invalidate a patent or prevent a patent from issuing from a pending patent application. Even if patents do successfully issue, and even if such patents cover our product candidates, third parties may challenge their validity, enforceability, or scope, which may result in such patents being narrowed, found unenforceable or invalidated. Furthermore, even if they are unchallenged, our patent applications and any future patents may not adequately protect our intellectual property, provide exclusivity for our product candidates, or prevent others from designing around our claims. Any of these outcomes could impair our ability to prevent competition from third parties, which may have an adverse impact on our business.

If we cannot obtain and maintain effective patent rights for our product candidates, we may not be able to compete effectively, and our business and results of operations would be harmed.

We may not have sufficient patent lifespan to effectively protect our products and business.

Patents have a limited lifespan. In the United States, the natural expiration of a patent is generally 20 years after its priority date. Although various extensions may be available, including pursuant to the QIDP designations we have received for D-PLEX₁₀₀, the life of a patent, and the protection it affords, is limited. Even if any of our patent applications mature into issued patents, if we do not have sufficient patent terms or regulatory exclusivity to protect our products, our business and results of operations will be adversely affected.

Patent policy and rule changes could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of any issued patents.

Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of any patents that may issue from our patent applications, or narrow the scope of our patent protection. The laws of foreign countries may not protect our rights to

the same extent as the laws of the United States. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. We therefore cannot be certain that we or our licensors were the first to make the invention claimed in our owned and licensed patent or pending applications, or that we or our licensor were the first to file for patent protection of such inventions. Assuming the other requirements for patentability are met, for United States patent applications filed prior to March 15, 2013, the first to conceive a claimed invention is entitled to the patent, while outside the United States, the first to file a patent application is entitled to the patent. After March 15, 2013, under the Leahy-Smith America Invents Act, or the AIA, enacted on September 16, 2011, the United States has moved to a first to file system. The AIA also includes a number of significant changes that affect the way patent applications are prosecuted and may also affect patent litigation. The effects of these changes are currently unclear as the United States Patent and Trademark Office, or the USPTO, must still implement various regulations, the courts have yet to address many of these provisions and the applicability of the AIA and new regulations on specific patents discussed herein have not been determined and would need to be reviewed. In general, the AIA and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of any issued patents, all of which could have a material adverse effect on our business and financial condition.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

Our registered or unregistered trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition by potential partners or customers in our markets of interest. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected. If other entities use trademarks similar to ours in different jurisdictions, or have senior rights to ours, it could interfere with our use of our current trademarks throughout the world.

If we are unable to maintain effective proprietary rights for our product candidates or any future product candidates, we may not be able to compete effectively in our markets.

In addition to the protection afforded by any patents that have been or may be granted, we rely on trade secret protection and confidentiality agreements to protect proprietary know-how that is not patentable or that we elect not to patent, processes for which patents are difficult to enforce and any other elements of our product candidate discovery and development processes that involve proprietary know-how, information or technology that is not covered by patents. However, trade secrets can be difficult to protect. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with our employees, consultants, scientific advisors and contractors. We also seek to preserve the integrity and confidentiality of our data, trade secrets and intellectual property by maintaining the physical security of our premises and physical and electronic security of our information technology systems. While we have confidence in these individuals, organizations and systems, agreements or security measures may be breached, and we may not have adequate remedies for any breach. In addition, our trade secrets and intellectual property may otherwise become known or be independently discovered by competitors.

Although we expect all of our employees and consultants to assign their inventions to us, and all of our employees, consultants, advisors and any third parties who have access to our proprietary know-how, information, or technology to enter into confidentiality agreements, we cannot provide any assurances that all such agreements have been duly executed or that our trade secrets and other confidential proprietary information will not be disclosed or that competitors will not otherwise gain

access to our trade secrets or independently develop substantially equivalent information and techniques. Misappropriation or unauthorized disclosure of our trade secrets and intellectual property could impair our competitive position and may have a material adverse effect on our business. Additionally, if the steps taken to maintain our trade secrets and intellectual property are deemed inadequate, we may have insufficient recourse against third parties for misappropriating the trade secret.

Intellectual property rights of third parties could adversely affect our ability to commercialize our product candidates, and we might be required to litigate or obtain licenses from third parties in order to develop or market our product candidate. Such litigation or licenses could be costly or not available on commercially reasonable terms.

It is inherently difficult to conclusively assess our freedom to operate without infringing on third party rights. Our competitive position may suffer if patents issued to third parties or other third party intellectual property rights cover our product candidates or elements thereof, or our manufacturing or uses relevant to our development plans. In such cases, we may not be in a position to develop or commercialize products or our product candidates unless we successfully pursue litigation to nullify or invalidate the third party intellectual property right concerned, or enter into a license agreement with the intellectual property right holder, if available on commercially reasonable terms. There may also be pending patent applications that if they result in issued patents, could be alleged to be infringed by our product candidates. If such an infringement claim should be brought and be successful, we may be required to pay substantial damages, be forced to abandon our product candidates or seek a license from any patent holders. No assurances can be given that a license will be available on commercially reasonable terms, if at all.

It is also possible that we have failed to identify relevant third party patents or applications. For example, U.S. applications filed before November 29, 2000 and certain U.S. applications filed after that date that will not be filed outside the U.S. remain confidential until patents issue. Patent applications in the U.S. and elsewhere are published approximately 18 months after the earliest filing to which priority is claimed, with such earliest filing date being commonly referred to as the priority date. Therefore, patent applications covering our product candidates or platform technology could have been filed by others without our knowledge. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover our platform technologies, our product candidates or the use of our product candidates. Third party intellectual property right holders may also actively bring infringement claims against us. We cannot guarantee that we will be able to successfully settle or otherwise resolve such infringement claims. If we are unable to successfully settle future claims on terms acceptable to us, we may be required to engage in or continue costly, unpredictable and time-consuming litigation and may be prevented from or experience substantial delays in pursuing the development of and/or marketing of our product candidates. If we fail in any such dispute, in addition to being forced to pay damages, we may be temporarily or permanently prohibited from commercializing our product candidates that are held to be infringing. We might, if possible, also be forced to redesign our product candidates so that we no longer infringe the third party intellectual property rights. Any of these events, even if we were ultimately to prevail, could require us to divert substantial financial and management resources that we would otherwise be able to devote to our business.

Third-party claims of intellectual property infringement may prevent or delay our development and commercialization efforts.

Our commercial success depends in part on our avoiding infringement of the patents and proprietary rights of third parties. There have been many lawsuits and other proceedings involving patent and other intellectual property rights in the biotechnology and pharmaceutical industries, including patent infringement lawsuits, interferences, oppositions and reexamination proceedings before

the USPTO and corresponding foreign patent offices. Numerous U.S. and foreign issued patents and pending patent applications, which are owned by third parties, exist in the fields in which we are developing product candidates. As the pharmaceutical industry expands and more patents are issued, the risk increases that our product candidates may be subject to claims of infringement of the patent rights of third parties.

Third parties may assert that we are employing their proprietary technology without authorization. There may be third-party patents or patent applications with claims to materials, formulations, methods of manufacture, or methods for treatment related to the use or manufacture of our product candidates. Because patent applications can take many years to issue, there may be currently pending patent applications that may later result in issued patents that our product candidates may infringe. In addition, third parties may obtain patents in the future and claim that use of our technologies infringes upon these patents. If any third-party patents were held by a court of competent jurisdiction to cover the manufacturing process of any of our product candidates, any materials formed during the manufacturing process or any final product itself, the holders of any such patents may be able to block our ability to commercialize such product candidates unless we obtain a license under the applicable patents, or until such patents expire or are finally determined to be invalid or unenforceable.

Similarly, if any third-party patents were held by a court of competent jurisdiction to cover aspects of our formulations, processes for manufacture, or methods of use, the holders of any such patents may be able to block our ability to develop and commercialize the applicable product candidate unless we obtain a license or until such patent expires or is finally determined to be invalid or unenforceable. In either case, such a license may not be available on commercially reasonable terms or at all.

Parties making claims against us may obtain injunctive or other equitable relief, which could effectively block our ability to further develop and commercialize one or more of our product candidates. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business. In the event of a successful claim of infringement against us, we may have to pay substantial damages, including treble damages and attorneys' fees for willful infringement, pay royalties, redesign our infringing products or obtain one or more licenses from third parties, which may be impossible or require substantial time and monetary expenditure.

We may not be successful in obtaining or maintaining necessary rights to our product candidates through acquisitions and in-licenses.

Because our programs may require the use of proprietary rights held by third parties, the growth of our business will likely depend in part on our ability to acquire, in-license, or use these proprietary rights. In addition, our product candidates may require specific formulations to work effectively and efficiently and the rights to these formulations may be held by others. We may be unable to acquire or in-license any compositions, methods of use, processes, or other third-party intellectual property rights from third parties that we identify as necessary for our product candidates. The licensing and acquisition of third-party intellectual property rights is a competitive area, and a number of more established companies are also pursuing strategies to license or acquire third-party intellectual property rights that we may consider attractive. These established companies may have a competitive advantage over us due to their size, cash resources, and greater clinical development and commercialization capabilities.

For example, we sometimes collaborate with academic institutions to accelerate our preclinical research or development under written agreements with these institutions. Typically, these institutions provide us with an option to negotiate a license to any of the institution's rights in technology resulting from the collaboration. Regardless of such option, we may be unable to negotiate a license within the specified timeframe or under terms that are acceptable to us. If we are unable to do so, the institution may offer the intellectual property rights to other parties, potentially blocking our ability to pursue our program.

In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to license or acquire third-party intellectual property rights on terms that would allow us to make an appropriate return on our investment. If we are unable to successfully obtain rights to required third-party intellectual property rights, we may have to abandon development of that program and our business and financial condition could suffer.

We may be involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time consuming and unsuccessful.

Competitors may infringe our intellectual property or that of our licensors that we may acquire in the future. If we or a future licensing partner were to initiate legal proceedings against a third party to enforce a patent covering one of our product candidates, the defendant could counterclaim that the patent covering our product candidate is invalid and/or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness, or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the USPTO, or made a misleading statement, during prosecution. Under the AIA, the validity of U.S. patents may also be challenged in post-grant proceedings before the USPTO. The outcome following legal assertions of invalidity and unenforceability is unpredictable.

Interference proceedings provoked by third parties or brought by us or declared by the USPTO may be necessary to determine the priority of inventions with respect to our patent or patent applications or those of our licensors. An unfavorable outcome could require us to cease using the related technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms. Our defense of litigation or interference proceedings may fail and, even if successful, may result in substantial costs and distract our management and other employees. In addition, the uncertainties associated with litigation could have a material adverse effect on our ability to raise the funds necessary to continue our clinical trials, continue our research programs, license necessary technology from third parties, or enter into development partnerships that would help us bring our product candidates to market.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. There could also be public announcements of the results of hearings, motions, or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of our ordinary shares.

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

We employ individuals who were previously employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees, consultants and independent contractors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or our employees, consultants, or independent contractors have inadvertently or otherwise used or disclosed intellectual property, including trade secrets or other proprietary information, of any of our employees' former employers or other third parties. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel, which could adversely impact our business. Even if we are

successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

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

We may be subject to claims that former employees, collaborators or other third parties have an interest in or right to compensation with respect to our current patent and patent applications, future patents or other intellectual property as an inventor or co-inventor. For example, we may have inventorship disputes arise from conflicting obligations of consultants or others who are involved in developing our product candidates. Litigation may be necessary to defend against these and other claims challenging inventorship or claiming the right to compensation. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees. To the extent that our employees have not effectively waived the right to compensation with respect to inventions that they helped create, they may be able to assert claims for compensation with respect to our future revenue. As a result, we may receive less revenue from future products if such claims are successful which in turn could impact our future profitability.

Changes in United States and international patent law could diminish the value of patents in general, thereby impairing our ability to protect our products.

Our success is heavily dependent on intellectual property. Obtaining and enforcing patents in the pharmaceutical industry involves both technological and legal complexity. Therefore, obtaining and enforcing these patents is costly, time consuming and inherently uncertain. In addition, the United States has recently enacted and is currently implementing wide-ranging patent reform legislation. Recent United States Supreme Court rulings have narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on future actions by the United States Congress, the federal courts and the USPTO, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain patents or to enforce patents that we might obtain in the future.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on product candidates in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States may be less extensive than those in the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States.

Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own product candidates and may also export otherwise infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States. These products may compete with our product candidates. Future patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets and other intellectual property protection, particularly those relating to biotechnology products or methods of treatment,

which could make it difficult for us to stop the marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions, whether or not successful, could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our future patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Risks Related to Our Business Operations

Our business and operations have been and are likely to continue to be adversely affected by the evolving and ongoing COVID-19 global pandemic.

Our business and operations have been and are likely to continue to be adversely affected by the effects of the recent and evolving COVID-19 virus, which was declared by the World Health Organization as a global pandemic. The COVID-19 pandemic has resulted in travel and other restrictions in order to reduce the spread of the disease, including public health directives and orders in Israel, the United States and the European Union that, among other things and for various periods of time, directed individuals to shelter at their places of residence, directed businesses and governmental agencies to cease non-essential operations at physical locations, prohibited certain non-essential gatherings and events and ordered cessation of non-essential travel. Although our employees are no longer working remotely after the expiration of such orders in Israel, future remote work policies and similar government orders or other restrictions on the conduct of business operations related to the COVID-19 pandemic may negatively impact productivity and may disrupt our ongoing research and development activities and our clinical programs and timelines, the magnitude of which will depend, in part, on the length and severity of the restrictions and other limitations on our ability to conduct our business in the ordinary course. Further, such orders also may impact the availability or cost of materials, which would disrupt our supply chain and manufacturing efforts and could affect our ability to conduct ongoing and planned clinical trials and preparatory activities.

We have paused enrollment of our Phase 3 trial of D-PLEX₁₀₀ for the prevention of sternal SSIs due to the COVID-19 pandemic, but we have informed investigators that they should continue monitoring current patients per the trial protocol. Future patient enrollment, when we deem it appropriate, and clinical site initiation may be further delayed due to prioritization of hospital resources toward the COVID-19 pandemic. Some patients may not be able to comply with clinical trial protocols if quarantines impede patient movement or interrupt healthcare services. Similarly, we may be unable to recruit and retain patients and principal investigators and site staff who, as healthcare providers, may have heightened exposure to COVID-19, which would adversely impact clinical trial operations.

The spread of COVID-19, which has caused a broad impact globally, may materially affect us economically. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing our ability to access capital, which could in the future negatively affect our liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect our business and the value of our common stock.

The global COVID-19 pandemic continues to rapidly evolve. The extent to which the COVID-19 pandemic impacts our business and operations, including our clinical development and regulatory efforts, will depend on future developments that are highly uncertain and cannot be predicted with confidence at the time of this prospectus, such as the ultimate geographic spread of the disease, the

duration of the outbreak, the duration and effect of business disruptions and the short-term effects and ultimate effectiveness of the travel restrictions, quarantines, social distancing requirements and business closures in the United States and other countries to contain and treat the disease. Accordingly, we do not yet know the full extent of potential delays or impacts on our business, our clinical and regulatory activities, healthcare systems or the global economy as a whole. However, these impacts could adversely affect our business, financial condition, results of operations and growth prospects.

In addition, to the extent the ongoing COVID-19 pandemic adversely affects our business and results of operations, it may also have the effect of heightening many of the other risks and uncertainties described in this "Risk Factors" section.

Our future success depends in part on our ability to retain our senior management team and to attract, retain and motivate other qualified personnel.

We are highly dependent on the members of our senior management team. The loss of their services without a proper replacement may adversely impact the achievement of our objectives. Our employees may leave our employment at any time. Recruiting and retaining other qualified employees, consultants and advisors for our business, including scientific and technical personnel, will also be critical to our success. There is currently a shortage of skilled personnel in our industry, which is likely to continue for the foreseeable future. As a result, competition for skilled personnel is intense, and the turnover rate can be high. We may not be able to attract and retain personnel on acceptable terms given the competition among numerous pharmaceutical companies for individuals with similar skill sets. In addition, failure to succeed in preclinical studies or clinical trials may make it more challenging to recruit and retain qualified personnel. The inability to recruit and retain qualified personnel, or the loss of the services of any members of our senior management team without proper replacement, may impede the progress of our research, development and commercialization objectives.

We will need to expand our organization, and we may experience difficulties in managing this growth, which could disrupt our operations.

Our future financial performance and our ability to commercialize product candidates and compete effectively will depend, in part, on our ability to effectively manage any future growth. As our development and commercialization plans and strategies develop, we expect to need additional managerial, operational, sales, marketing, financial and legal personnel. Our management may need to divert a disproportionate amount of its attention away from our day-to-day activities and devote a substantial amount of time to managing these growth activities. We may not be able to effectively manage the expansion of our operations, which may result in weaknesses in our infrastructure, operational mistakes, loss of business opportunities, loss of employees and reduced productivity among remaining employees. Our expected growth could require significant capital expenditures and may divert financial resources from other projects, such as the development of additional product candidates. If our management is unable to effectively manage our growth, our expenses may increase more than expected, our ability to generate and/or grow revenue could be reduced, and we may not be able to implement our business strategy.

Due to our limited resources and access to capital, we must, and have in the past decided to, prioritize development of certain product candidates over other potential candidates. These decisions may prove to have been wrong and may adversely affect our revenues.

Because we have limited resources and access to capital to fund our operations, we must decide which product candidates to pursue and the amount of resources to allocate to each. Our decisions concerning the allocation of research, collaboration, management and financial resources toward particular product candidates may not lead to the development of viable commercial products and may divert resources away from better opportunities. Similarly, our decisions to delay, terminate or

collaborate with third parties in respect of certain product development programs may also prove not to be optimal and could cause us to miss valuable opportunities. If we make incorrect determinations regarding the market potential of our product candidates or misread trends in the pharmaceutical industry, in particular for our lead product candidate, our business, financial condition and results of operations could be materially adversely affected.

We may not be successful in our efforts to identify, discover or license additional product candidates.

Although a substantial amount of our effort will focus on the continued clinical testing, potential approval and commercialization of D-PLEX₁₀₀, the success of our business also depends upon our ability to identify, discover or license additional product candidates. Our research programs or licensing efforts may fail to yield additional product candidates for clinical development for a number of reasons, including: lack of financial or personnel resources to acquire or discover additional product candidates; new product candidates may not succeed in preclinical or clinical testing, or may be shown to have harmful side effects or may have other characteristics that may make them unmarketable or unlikely to receive marketing approval; our competitors may develop alternatives that render our product candidates obsolete or less attractive; the market for a product candidate may change during our development program so that such product may become unprofitable to continue to develop; new product candidates may not be capable of being produced in commercial quantities at an acceptable cost, or at all; and new product candidates may not be accepted as safe and effective by patients, the medical community, or third-party payors.

We may be forced to abandon our development efforts for a program or programs that are unsuccessful, or we may not be able to identify, license, or discover additional product candidates, which would have a material adverse effect on our business and could potentially cause us to cease operations. Further, research programs to identify new product candidates require substantial technical, financial and human resources. We may focus our efforts and resources on potential programs or product candidates that ultimately prove to be unsuccessful.

European data collection is governed by restrictive regulations governing the collection, use, processing and cross-border transfer of personal information.

We may collect, process, use or transfer personal information from individuals located in the European Union in connection with our business, including in connection with conducting clinical trials in the European Union. Additionally, we intend to commercialize D-PLEX₁₀₀, and any of our product candidates that receive marketing approval, in the European Union. The collection and use of personal health data in the European Union is governed by the provisions of the General Data Protection Regulation ((EU) 2016/679), or the GDPR, along with other European Union and country-specific laws and regulations. The United Kingdom and Switzerland have also adopted data protection laws and regulations. These legislative acts (together with regulations and guidelines) impose requirements relating to having legal bases for processing personal information relating to identifiable individuals and transferring such information outside of the EEA, including to the United States, providing details to those individuals regarding the processing of their personal information, keeping personal information secure, having data processing agreements with third parties who process personal information, responding to individuals' requests to exercise their rights in respect of their personal information, reporting security breaches involving personal data to the competent national data protection authority and affected individuals, appointing data protection officers, conducting data protection impact assessments and record-keeping. The GDPR imposes additional responsibilities and liabilities in relation to personal data that we process and we may be required to put in place additional mechanisms ensuring compliance with the new data protection rules. Failure to comply with the requirements of the GDPR and related national data protection laws of the member states of the European Union may result in substantial fines, other administrative penalties and civil claims being

brought against us, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our business and operations would suffer in the event of computer system failures, cyber attacks or a deficiency in our cybersecurity.

Despite the implementation of security measures intended to secure our data against impermissible access and to preserve the integrity and confidentiality of our data, our internal computer systems, and those of third parties on which we rely, are vulnerable to damage from computer viruses, malware, natural disasters, terrorism, war, telecommunication and electrical failures, cyber-attacks or cyber-intrusions over the Internet, attachments to emails, persons inside our organization, or persons with access to systems inside our organization. The risk of a security breach or disruption, particularly through cyber attacks or cyber intrusion, including by computer hackers, foreign governments, and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our drug development programs. For example, the loss of clinical trial data from completed or ongoing or planned clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach was to result in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur material legal claims and liability, including under data privacy laws such as the GDPR, damage to our reputation, and the further development of our drug candidates could be delayed.

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

As a public company whose ordinary shares are listed in the United States, we will be subject to an extensive regulatory regime, requiring us, among other things, to maintain various internal controls and facilities and to prepare and file periodic and current reports and statements, including reports on the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002. Complying with these requirements will be costly and time consuming. We will need to retain additional employees to supplement our current finance staff, and we may not be able to do so in a timely manner, or at all. In the event that we are unable to demonstrate compliance with our obligations as a public company in a timely manner, or are unable to produce timely or accurate financial statements, we may be subject to sanctions or investigations by regulatory authorities, such as the SEC or The Nasdaq Global Market, and investors may lose confidence in our operating results and the price of our ordinary shares could decline.

Our independent registered public accounting firm was not engaged to perform an audit of our internal control over financial reporting, and as long as we remain an emerging growth company, as such term is defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, we will be exempt from the requirement to have an independent registered public accounting firm perform such audit. Accordingly, no such opinion was expressed or will be expressed any during any such period. Once we cease to qualify as an emerging growth company our independent registered public accounting firm will be required to attest to our management's annual assessment of the effectiveness of our internal controls over financial reporting, which will entail additional costs and expenses.

Furthermore, we are only in the early stages of determining formally whether our existing internal controls over financial reporting systems are compliant with Section 404 and whether there are any material weaknesses or significant deficiencies in our existing internal controls. These controls and other procedures are designed to ensure that information required to be disclosed by us in the reports

that we file with the SEC is disclosed accurately and is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

International expansion of our business exposes us to business, regulatory, political, operational, financial and economic risks associated with doing business outside of the United States or Israel.

Other than our headquarters and other operations which are located in Israel (as further described below), we currently have limited international operations, but our business strategy incorporates potentially significant international expansion, particularly in anticipation of approval of our product candidates. We plan to retain sales representatives and third party distributors and conduct physician, infectious disease specialist, hospital pharmacist and patient association outreach activities, as well as clinical trials, outside of the United States, European Union and Israel. Doing business internationally involves a number of risks, including but not limited to:

- multiple, conflicting and changing laws and regulations such as privacy regulations, tax laws, export and import restrictions, employment laws, regulatory requirements and other governmental approvals, permits, and licenses;
- failure by us to obtain regulatory approvals for the use of our product candidates in various countries;
- additional potentially relevant third-party patent rights;
- complexities and difficulties in obtaining protection and enforcing our intellectual property;
- difficulties in staffing and managing foreign operations;
- complexities associated with managing multiple payor reimbursement regimes, government payors, price controls or patient self-pay systems;
- limits in our ability to penetrate international markets;
- financial risks, such as longer payment cycles, difficulty collecting accounts receivable, the impact of local and regional financial crises on demand and payment for our products and exposure to foreign currency exchange rate fluctuations;
- an outbreak of a contagious disease, including COVID-19, which may cause us or our distributors, third party vendors and manufacturers and/or customers to temporarily suspend our or their respective operations in the affected city or country;
- natural disasters, political and economic instability, including wars, terrorism, and political unrest, boycotts, curtailment of trade, and other business restrictions;
- certain expenses including, among others, expenses for travel, translation and insurance; and
- regulatory and compliance risks that relate to maintaining accurate information and control over sales and activities that may fall within the purview of the U.S. Foreign Corrupt Practices Act its books and records provisions, or its anti-bribery provisions.

Any of these factors could significantly harm our future international expansion and operations and, consequently, our results of operations.

The United Kingdom's withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business, which could reduce the price of our ordinary shares.

Following the result of a referendum in 2016, the United Kingdom left the European Union on January 31, 2020, commonly referred to as Brexit. Pursuant to the formal withdrawal arrangements

agreed between the United Kingdom and the European Union, the United Kingdom will be subject to a transition period until December 31, 2020, or the Transition Period, during which European Union rules will continue to apply. Negotiations between the United Kingdom and the European Union are expected to continue in relation to the customs and trading relationship between the United Kingdom and the European Union following the expiry of the Transition Period.

Since a significant proportion of the regulatory framework in the United Kingdom applicable to our business and our product candidates is derived from European Union directives and regulations, Brexit, following the Transition Period, could materially impact the regulatory regime with respect to the development, manufacture, importation, approval and commercialization of our product candidates in the United Kingdom or the European Union. For example, as a result of the uncertainty surrounding Brexit, the EMA relocated to Amsterdam from London. Following the Transition Period, the United Kingdom will no longer be covered by the centralized procedures for obtaining European Union-wide marketing and manufacturing authorizations from the EMA and, unless a specific agreement is entered into, a separate process for authorization of drug products, including D-PLEX₁₀₀ and any future product candidates, will be required in the United Kingdom, the potential process for which is currently unclear. Any delay in obtaining, or an inability to obtain, any marketing approvals, as a result of Brexit or otherwise, would prevent us from commercializing our product candidates in the United Kingdom or the European Union and restrict our ability to generate revenue and achieve and sustain profitability. In addition, we may be required to pay taxes or duties or be subjected to other hurdles in connection with the importation of our product candidates into the European Union, or we may incur expenses in establishing a manufacturing facility in the European Union in order to circumvent such hurdles. If any of these outcomes occur, we may be forced to restrict or delay efforts to seek regulatory approval in the United Kingdom or the European Union for our product candidates, or incur significant additional expenses to operate our business, which could significantly and materially harm or delay our ability to generate revenues or achieve profitability of our business. Any further changes in international trade, tariff and import/export regulations as a result of Brexit or otherwise may impose unexpected duty costs or other non-tariff barriers on us. These developments, or the perception that any of them could occur, may significantly reduce global trade and, in particular, trade between the impacted nations and the United Kingdom. It is also possible that Brexit may negatively affect our ability to attract and retain employees, particularly those from the European Union.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

Our research, development and manufacturing activities and our third party manufacturers' and suppliers' activities involve the controlled storage, use and disposal of hazardous materials, including the components of our product candidates and other hazardous compounds. We and our manufacturers and suppliers are subject to laws and regulations governing the use, manufacture, storage, handling and disposal of these hazardous materials. In some cases, these hazardous materials and various wastes resulting from their use are stored at our and our manufacturers' facilities pending their use and disposal. We cannot eliminate the risk of contamination, which could cause an interruption of our commercialization efforts, research and development efforts and business operations, environmental damage resulting in costly clean-up and liabilities under applicable laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. Although we believe that the safety procedures utilized by our third-party manufacturers for handling and disposing of these materials generally comply with the standards prescribed by these laws and regulations, we cannot guarantee that this is the case or eliminate the risk of accidental contamination or injury from these materials. In such an event, we may be held liable for any resulting damages, such liability could exceed our resources, and state or federal or other applicable authorities may curtail our use of certain materials and/or interrupt our business operations. Furthermore, environmental laws and regulations

are complex, change frequently and have tended to become more stringent. We cannot predict the impact of such changes and cannot be certain of our future compliance. We do not currently carry biological or hazardous waste insurance coverage.

Our employees and independent contractors may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.

We are exposed to the risk of fraud or other misconduct by our employees and independent contractors. Misconduct by these parties could include intentional failures to comply with FDA regulations, provide accurate information to the FDA, comply with manufacturing standards we may establish, comply with federal and state healthcare fraud and abuse laws and regulations, report financial information or data accurately or disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee and independent contractor misconduct could also involve the improper use of information obtained in the course of clinical trials, including individually identifiable information, creating fraudulent data in our preclinical studies or clinical trials or illegal misappropriation of product candidates, which could result in regulatory sanctions and serious harm to our reputation. It is not always possible to identify and deter misconduct by employees and other third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. Additionally, we are subject to the risk that a person or government could allege such fraud or other misconduct, even if none occurred. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

Under applicable employment laws, we may not be able to enforce covenants not to compete and therefore may be unable to prevent our competitors from benefiting from the expertise of some of our former employees.

We generally enter into non-competition agreements with our employees and certain key consultants. These agreements prohibit our employees and certain key consultants, if they cease working for us, from competing directly with us or working for our competitors or clients for a limited period of time. We may be unable to enforce these agreements under the laws of the jurisdictions in which our employees work and it may be difficult for us to restrict our competitors from benefitting from the expertise our former employees or consultants developed while working for us.

For example, Israeli courts have required employers seeking to enforce non-compete undertakings of a former employee to demonstrate that the competitive activities of the former employee will harm one of a limited number of material interests of the employer which have been recognized by the courts, such as the secrecy of a company's confidential commercial information or the protection of its intellectual property. If we cannot demonstrate that such interests will be harmed, we may be unable to prevent our competitors from benefiting from the expertise of our former employees or consultants and our ability to remain competitive may be diminished.

Risks Related to Commercialization of Our Product Candidates

We have limited manufacturing experience and could experience production problems that result in delays in our development or commercialization programs or otherwise adversely affect our business.

We have limited experience manufacturing D-PLEX₁₀₀. Although we have established our own manufacturing facility to support current and future clinical trials, and have received regulatory approvals for clinical manufacturing, and an initial commercial launch, we may be unable to produce commercial materials or meet demand for D-PLEX₁₀₀ if we are unable to receive or maintain commercial regulatory approvals for our facility. Any such failure could delay or prevent our development of D-PLEX₁₀₀ and would have a material adverse effect on our business, financial condition and results of operations.

The manufacturing process we use to produce D-PLEX₁₀₀ has not been validated for commercial use. Although we have increased the scale of our manufacturing process in order to produce sufficient quantities of D-PLEX₁₀₀ for our ongoing and planned clinical trials and at least the first 30 months following a commercial launch, if D-PLEX₁₀₀ is approved, in the future we will need to increase the scale of our manufacturing process either at our facility or at third-party manufacturers, or both. We may not be successful in producing sufficient quantities of D-PLEX₁₀₀, due to several factors, including equipment malfunctions, facility contamination, technical process challenges, raw material shortages or contamination, natural disasters, disruption in utility services, human error or disruptions in the operations of our suppliers. Problems with the manufacturing process, even minor deviations from the normal process, could result in product defects or manufacturing failures that result in lot failures, product recalls, product liability claims or insufficient inventory. We may encounter problems achieving adequate quantities and quality of clinical- and commercial-grade materials that meet FDA, EMA or other applicable standards or specifications with consistent and acceptable production yields and costs.

Slight deviations in the manufacturing process, including those affecting quality attributes and stability, may result in unacceptable changes in the product that could result in lot failures or product recalls. There is no assurance we will not experience such failures at our own manufacturing facility or that of a third party in the future. Lot failures or product recalls could cause us to delay product launches or clinical trials, which could be costly to us and otherwise harm our business, financial condition, results of operations and prospects.

We also may encounter problems hiring and retaining the experienced specialist scientific, quality control and manufacturing personnel needed to operate our manufacturing process, which could result in delays in our production or difficulties in maintaining compliance with applicable regulatory requirements.

Any problems in our manufacturing process or facilities could make us a less attractive collaborator for potential partners, including biopharmaceutical companies, which could limit our access to additional attractive development programs. Problems in our manufacturing process or facilities also could restrict our ability to meet market demand for D-PLEX₁₀₀ or future product candidates.

If the market opportunities for our product candidates are smaller than we believe they are, our revenue may be adversely affected, and our business may suffer.

Our projections of the number of people who have the potential to benefit from treatment with our product candidates are based on our beliefs and estimates. These estimates have been derived from a variety of sources, including the scientific literature, surveys of clinics or market research, and may prove to be incorrect. Our target patient population may be lower than expected, may not be otherwise amenable to treatment with our product candidate or patients may become increasingly difficult to identify and access, all of which would adversely affect our business, financial condition, results of operations and prospects. In addition, medical advances may reduce our target markets. For example, new processes and advances in oral antibiotic medications or new operative procedures may limit the

need for localized delivery systems like our product candidates. Further, advances in treatments in the fields in which we are conducting research programs that reduce side effects and have better deliverability to target organs may limit the market for our future product candidates. If the market opportunities for our product candidates are smaller than we believe they are, our revenue may be adversely affected, and our business may suffer.

We currently have no marketing and sales organization. If we are unable to establish sales and marketing capabilities, or enter into agreements with third parties to market and sell our product candidates, we may be unable to generate any product revenue.

We have no experience selling and marketing our product candidates, and we currently have no marketing or sales organization. To successfully commercialize any product candidates that may result from our development programs, we will need to develop these capabilities, either on our own or with others. If our product candidates receive regulatory approval, we intend to establish a sales and marketing organization independently or by utilizing experienced third parties with technical expertise and supporting distribution capabilities to commercialize our product candidates in major markets, all of which will be expensive, difficult and time consuming. Any failure or delay in the development of our internal sales, marketing and distribution capabilities would adversely impact our ability to commercialize our product candidates.

Further, given our lack of prior experience in marketing and selling pharmaceutical products, our initial estimate of the size of the required sales force may be materially more or less than the size of the sales force actually required to effectively commercialize our product candidates. As such, we may be required to hire sales representatives and third party distributors to adequately support the commercialization of our product candidates, or we may incur excess costs if we hire more sales representatives than necessary. With respect to certain geographical markets, we may enter into collaborations with other entities to utilize their local marketing and distribution capabilities, but we may be unable to enter into such agreements on favorable terms, if at all. We also may enter into collaborations with large pharmaceutical companies to develop and commercialize product candidates. If our future collaborators do not commit sufficient resources to develop and commercialize our future products, if any, and we are unable to develop the necessary marketing capabilities on our own, we will be unable to generate sufficient product revenue to sustain our business. We may compete with companies that currently have extensive and well-funded marketing and sales operations. Without an internal team or the support of a third party to perform marketing and sales functions, we may be unable to compete successfully against these more established companies.

Our efforts to educate the medical community, including physicians, hospital pharmacists and third-party payors on the benefits of our product candidates may require significant resources and may never be successful. If any of our product candidates are approved but fail to achieve market acceptance among physicians, patients or third-party payors, we will not be able to generate significant revenues from such product, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are subject to significant regulatory oversight with respect to manufacturing our product candidates. Delays in establishing and obtaining regulatory approval of our manufacturing process and facility or disruptions in our manufacturing process may delay or disrupt our product development and commercialization efforts.

The preparation of drug products for clinical trials or commercial sale is subject to extensive regulation. Before we can begin to commercially manufacture D-PLEX₁₀₀ or any product candidate, whether in a third-party facility or in our own facility, we must obtain regulatory approvals from the Israeli Ministry of Health, or MOH, the FDA and similar regulatory agencies, as applicable for our manufacturing process and facility. A manufacturing authorization must also be obtained from the

appropriate regulatory authorities in the European Union and worldwide. In addition, we must pass a pre-approval inspection of our manufacturing facility by the FDA before D-PLEX₁₀₀ or any product candidate can obtain marketing approval. In order to obtain approval, we will need to ensure that all of our processes, methods and equipment are compliant with cGMP, and perform extensive audits of vendors, contract laboratories and suppliers. If any of our vendors, contract laboratories or suppliers is found to be out of compliance with cGMP, we may experience delays or disruptions in manufacturing while we work with these third parties to remedy the violation or while we work to identify suitable replacement vendors. For example, in the past, a cGMP audit by the MOH of the manufacturing process in the facility of our contract manufacturer for D-PLEX₁₀₀ resulted in certain critical observations, which have since been resolved. There can be no guarantee, however, that future inspections by regulatory authorities of our manufacturing facilities or those of our contract manufacturers will result in MOH's agreement that these critical observations have been resolved or that similar inspectional observations will not be identified. If we do not demonstrate to the satisfaction of the applicable regulator that our manufacturing facilities, or those of our contract manufacturers, are in compliance with applicable requirements, we may be materially delayed in the development of our product candidates, which would materially harm our business. The cGMP requirements govern quality control of the manufacturing process and documentation policies and procedures. In complying with cGMP, we will be obligated to expend time, money and effort in production, record keeping and quality control to assure that the product meets applicable specifications and other requirements. If we fail to comply with these requirements, we would be subject to possible regulatory action and may not be permitted to sell any product candidate that we may develop.

Our failure to comply with applicable regulations could result in sanctions being imposed on us, including clinical holds, fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product candidates or products, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect supplies of any approved products and our product candidates.

Operating our own manufacturing facility will require additional investment, will be time-consuming and may be subject to delays, including because of shortage of labor or compliance with regulatory requirements. In addition, operating a manufacturing facility may cost more than we currently anticipate. Delays or problems in the build out of our manufacturing facility may adversely impact our ability to provide supply for the development and commercialization of D-PLEX₁₀₀ as well as our financial condition.

If we receive marketing approval for our product candidates, sales will be limited unless the product achieves broad market acceptance by physicians, patients, third-party payors, hospital pharmacists, infectious disease specialists and others in the medical community.

The commercial success of our product candidates will depend upon the acceptance of the product by the medical community, including physicians, patients, healthcare payors, hospital pharmacists and infectious disease specialists. The degree of market acceptance of any approved product will depend on a number of factors, including:

- the demonstration of clinical safety and efficacy of our product candidates in clinical trials;
- the efficacy, potential and perceived advantages of our product candidates over alternative treatments;
- the cost of treatment relative to alternative treatments;
- the prevalence and severity of any adverse side effects;
- product labeling or product insert requirements of the FDA or other regulatory authorities, including any limitations or warnings contained in a product's approved labeling;

- distribution and use restrictions imposed by the FDA or agreed to by us as part of a mandatory or voluntary risk management plan;
- our ability to obtain third-party coverage and adequate reimbursement;
- the willingness of patients to pay for drugs out of pocket in the absence of third-party coverage;
- the demonstration of the effectiveness of our product candidates in reducing the cost of treatment;
- the strength of marketing and distribution support;
- the timing of market introduction of competitive products;
- the availability of products and their ability to meet market demand; and
- publicity concerning our product candidates or competing products and treatments.

If our product candidates are approved but do not achieve an adequate level of acceptance by physicians, patients, healthcare payors, hospital pharmacists and infectious disease specialists, we may not generate sufficient revenue from the product, and we may not become or remain profitable. In addition, our efforts to educate the medical community and third-party payors on the benefits of our product candidates may require significant resources and may never be successful.

It may be difficult for us to profitably sell our product candidates if coverage and reimbursement for these products is limited by government authorities and/or third-party payor policies.

In addition to any healthcare reform measures which may affect reimbursement, market acceptance and sales of our product candidates, if approved, will depend on, in part, the extent to which the procedures utilizing our product candidates, performed by health care providers, will be covered by third party payors, such as government health care programs, commercial insurance and managed care organizations. Our product candidates will be purchased or provided by health care providers for utilization in certain surgical procedures. In the event health care providers and patients accept our product candidates as medically useful, cost effective and safe, there is uncertainty regarding whether our product candidates will be directly reimbursed, reimbursed through a bundled payment or if the product candidates will be included in another type of value-based reimbursement program. Third party payors determine the extent to which new products will be covered as a benefit under their plans and the level of reimbursement for any covered product or procedure which may utilize a covered product. It is difficult to predict at this time what third party payors will decide with respect to the coverage and reimbursement for our product candidates.

A primary trend in the U.S. healthcare industry and elsewhere has been cost containment, including price controls, restrictions on coverage and reimbursement and requirements for substitution of less expensive products and procedures. Third party payors decide which products and procedures they will pay for and establish reimbursement and co-payment levels. Government and other third-party payors are increasingly challenging the prices charged for health care products and procedures, examining the cost effectiveness of procedures, and the products used in such procedures, in addition to their safety and efficacy, and limiting or attempting to limit both coverage and the level of reimbursement. We cannot be sure that coverage will be available for our product candidates, if approved, or, if coverage is available, the level of direct or indirect reimbursement.

We expect to experience pricing pressures in connection with the sale of any of our product candidates due to the trend toward managed healthcare, the increasing influence of health maintenance organizations, and additional legislative changes. The downward pressure on healthcare costs in general, particularly prescription drugs and surgical procedures and other treatments, has become very intense. As a result, increasingly high barriers are being erected to the successful commercialization of new products. Further, the adoption and implementation of any future governmental cost containment or

other health reform initiative may result in additional downward pressure on the price that we may receive for any approved product.

Reimbursement by a third-party payor may depend upon a number of factors including the third-party payor's determination that use of a product is:

- a covered benefit or part of a covered benefit under its health plan;
- safe, effective and medically necessary;
- appropriate for the specific patient;
- cost-effective; and
- neither experimental nor investigational.

There is significant uncertainty related to the insurance coverage and reimbursement of newly approved products. In the United States, third-party payors, including private and governmental payors such as the Medicare and Medicaid programs, play an important role in determining the extent to which procedures using new products will be covered and reimbursed. The Medicare and Medicaid programs are increasingly used as models for how private payors and other governmental payors develop their coverage and reimbursement policies. It is difficult to predict at this time what third-party payors will decide with respect to reimbursement for fundamentally novel products such as ours, as there is no body of established practices and precedents for these new products.

Obtaining coverage and reimbursement approval for a product from a government or other third-party payor is a time-consuming and costly process that could require us to provide supporting scientific, clinical and cost effectiveness data for the use of our products to the payor. Additionally, we may not be able to provide data sufficient to gain acceptance with respect to coverage and reimbursement. We cannot be sure that coverage or adequate reimbursement will be available for our product candidates, if approved. Also, we cannot be sure that reimbursement amounts will not reduce the demand for, or the price of, our future products. If reimbursement is not available, or is available only to limited levels, we may not be able to commercialize our product candidates, or achieve profitably at all, even if approved.

Our business entails a significant risk of clinical trial and/or product liability and our ability to obtain sufficient insurance coverage could have a material effect on our business, financial condition, results of operations or prospects.

Our business exposes us to significant clinical trial and/or product liability risks inherent in the development, testing, manufacturing and marketing of therapeutic treatments. Clinical trial and/or product liability claims could delay or prevent completion of our development programs. If we succeed in marketing products, product liability claims could result in an FDA investigation of the safety and effectiveness of our products, our manufacturing processes and facilities or our marketing programs and potentially a recall of our products or more serious enforcement action, limitations on the approved indications for which they may be used or suspension or withdrawal of approvals. Regardless of the merits or eventual outcome, liability claims may also result in decreased demand for our products, injury to our reputation, costs to defend the related litigation, a diversion of management's time and our resources, substantial monetary awards to trial participants or patients and a decline in our company valuation. While we currently have clinical trial liability insurance, we do not have product liability insurance and do not anticipate obtaining product liability insurance until such time as we have received FDA or other comparable foreign authority approval for a product and there is a product that is being provided to patients outside of clinical trials. Any insurance we have or may obtain may not provide sufficient coverage against potential liabilities. Furthermore, clinical trial and product liability insurance are becoming increasingly expensive. As a result, we may be unable to obtain sufficient

insurance at a reasonable cost to protect us against losses caused by clinical trial and product liability claims that could have a material adverse effect on our business.

Risks Related to this Offering and Ownership of Our Ordinary Shares

An active trading market for our ordinary shares may not develop.

Prior to this offering, there has been no public market for our ordinary shares. The initial public offering price for our ordinary shares will be determined through negotiations with the underwriters. Although we have applied to have our ordinary shares listed on The Nasdaq Global Market, an active trading market for our shares may never develop or be sustained following this offering. If an active market for our ordinary shares does not develop, it may be difficult for you to sell shares you purchase in this offering without depressing the market price for the shares, or at all.

The market price of our ordinary shares may be highly volatile, which could result in substantial losses for purchasers of our ordinary shares in this offering.

The trading price of our ordinary shares is likely to be volatile. The stock market in general, and the market for pharmaceutical companies in particular, has experienced extreme volatility that has often been unrelated to the operating performance of particular companies, including very recently in connection with the ongoing COVID-19 pandemic, which has resulted in decreased stock prices for many companies notwithstanding the lack of a fundamental change in their underlying business models or prospects. Broad market and industry factors, including potentially worsening economic conditions and other adverse effects or developments relating to the ongoing COVID-19 pandemic, may negatively affect the market price of our common stock, regardless of our actual operating performance. As a result of this volatility, you may not be able to sell your ordinary shares at or above the initial public offering price. The following factors, in addition to other risk factors described in this section, may have a significant impact on the market price of our ordinary shares:

- inability to obtain the approvals necessary to commence further clinical trials;
- unsatisfactory results of clinical trials;
- announcements of regulatory approvals or the failure to obtain them, or specific label indications or patient populations for their use, or changes or delays in the regulatory review process;
- announcements of therapeutic innovations or new products by us or our competitors;
- adverse actions taken by regulatory agencies with respect to our clinical trials, manufacturing supply chain or sales and marketing activities;
- changes or developments in laws or regulations applicable to any candidate product in any of our platforms;
- changes in the structure of healthcare payment systems;
- any adverse changes to our relationship with manufacturers or suppliers, especially manufacturers of candidate products;
- any intellectual property infringement actions in which we may become involved;
- announcements concerning our competitors or the pharmaceutical industry in general;
- achievement of expected product sales and profitability or our failure to meet expectations;
- our commencement of, or involvement in, litigation;
- any major changes in our Board of Directors or management; and
- legislation in the United States or any other territory relating to the sale or pricing of pharmaceuticals.

If our quarterly operating results fall below the expectations of investors or securities analysts, the price of our ordinary shares could decline substantially. Furthermore, any quarterly fluctuations in our operating results may, in turn, cause the price of our stock to fluctuate substantially. We believe that quarterly comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of our future performance.

In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation often has been instituted against that company. Such litigation, if instituted against us, could cause us to incur substantial costs to defend such claims and divert management's attention and resources, which could seriously harm our business, financial condition, results of operations and prospects.

If you purchase our ordinary shares in this offering, you will incur immediate and substantial dilution in the book value of your shares.

The initial public offering price of our ordinary shares will be substantially higher than the net tangible book value per share of our ordinary shares. Therefore, if you purchase ordinary shares in this offering, you will pay a price per share that substantially exceeds our net tangible book value per share after this offering. To the extent outstanding options and warrants are exercised, you will incur further dilution. Based on an assumed initial public offering price of \$16.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, you will experience immediate dilution of \$11.64 per share, representing the difference between our pro forma net tangible book value per share after giving effect to this offering at the assumed initial public offering price. In addition, purchasers of ordinary shares in this offering will have contributed approximately 44% of the aggregate price paid by all purchasers of our ordinary shares but will own only approximately 19% of our ordinary shares outstanding after this offering. See "Dilution."

Sales of a substantial number of shares of our ordinary shares in the public market by our existing shareholders could cause our share price to fall.

Sales of a substantial number of our ordinary shares in the public market, or the perception that these sales might occur, could depress the market price of our ordinary shares and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that sales may have on the prevailing market price of our ordinary shares. Substantially all of the shares owned by our existing shareholders and option and warrant holders are subject to lock-up agreements with the underwriters of this offering that restrict the shareholders' ability to transfer our ordinary shares for at least six months from the date of this prospectus. Substantially all of our outstanding shares will become eligible for unrestricted sale upon expiration of the lockup period, as described in the sections of this prospectus entitled "Shares Eligible for Future Sale" and "Underwriting." In addition, shares issued or issuable upon exercise of options and warrants vested as of the expiration of the lock-up period will be eligible for sale at that time. Sales of shares by these shareholders could have a material adverse effect on the trading price of our ordinary shares. Moreover, after this offering, holders of an aggregate of approximately 16,834,161 ordinary shares will have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other shareholders. We intend to register all ordinary shares that we may issue under our equity compensation plans. Once we register these shares, they can be freely sold in the public market upon issuance, subject to volume limitations applicable to affiliates and the lock-up agreements described in the "Underwriting" section of this prospectus.

Participation in this offering by certain of our existing shareholders, including entities affiliated with certain of our directors and beneficial owners of greater than 5% of our share capital, could reduce the public float for our shares.

Certain of our existing shareholders, including entities affiliated with certain of our directors and beneficial owners of greater than 5% of our share capital, have indicated an interest in purchasing up to an aggregate of \$27 million of ordinary shares in this offering at the initial public offering price per share. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters may determine to sell more, less or no shares in this offering to any of these shareholders, or any of these shareholders may determine to purchase more, less or no shares in this offering.

The underwriters will receive the same underwriting discount on any shares purchased by these shareholders as they will on any other shares sold to the public in this offering. If these shareholders are allocated all or a portion of the shares in which each has indicated an interest in this offering or are allocated more shares than each has indicated an interest in this offering, and these shareholders purchase any such shares, such purchase could reduce the available public float for our shares if these shareholders hold these shares long-term.

Our management will have broad discretion in the use of the net proceeds from this offering and may allocate the net proceeds from this offering in ways that you and other shareholders may not approve.

Our management will have broad discretion in the use of the net proceeds from this offering, including for any of the purposes described in the section entitled "Use of Proceeds," and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use. The failure of our management to use these funds effectively could harm our business. Pending their use, we may invest the net proceeds from this offering in short-term, investment-grade, interest-bearing securities and depository institutions. These investments may not yield a favorable return to our shareholders.

Our executive officers, directors and principal shareholders will maintain the ability to exert significant control over matters submitted to our shareholders for approval.

Assuming the sale by us of 3,125,000 ordinary shares in this offering, our executive officers, directors and principal shareholders who owned more than 5% of our outstanding ordinary shares before this offering will, in the aggregate, beneficially own shares representing approximately 38.0% of our share capital. As a result, if these shareholders were to act together, they would be able to control all matters submitted to our shareholders for approval, as well as our management and affairs. For example, these persons, if they act together, would control the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of our company on terms that other shareholders may desire or result in management of our company that our public shareholders disagree with.

There is a substantial risk that we are or will become classified as a passive foreign investment company. If we are or become classified as a passive foreign investment company, our U.S. shareholders may suffer adverse tax consequences as a result.

Generally, for any taxable year, if at least 75% of our gross income is passive income, or at least 50% of the value of our assets is attributable to assets that produce passive income or are held for the production of passive income, including cash, we would be characterized as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. For purposes of these tests, passive income includes dividends, interest gains from commodities and securities transactions, the excess of gains over

losses from the disposition of assets which produce passive income (including amounts derived by reason of the temporary investment of funds raised in offerings of our shares) and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. If we are characterized as a PFIC, our U.S. shareholders may suffer adverse tax consequences, including having gains realized on the sale of our ordinary shares treated as ordinary income, rather than capital gain, the loss of the preferential rate applicable to dividends received on our ordinary shares by individuals who are U.S. holders, and having interest charges apply to distributions by us and gains from the sales of our shares.

Our status as a PFIC will depend on the nature and composition of our income and the nature, composition and value of our assets (which, assuming we are not a "controlled foreign corporation," or a CFC, under Section 957(a) of the Internal Revenue Code of 1986, as amended, or the Code, for the year being tested, may be determined based on the fair market value of each asset, with the value of goodwill and going concern value determined in large part by reference to the market value of our common shares, which may be volatile). Our status may also depend, in part, on how quickly we utilize the cash proceeds from this offering in our business. Based upon the expected value of our assets, including any goodwill, and the expected nature and composition of our income and assets, we may be classified as a PFIC for the taxable year ending December 31, 2019 and in future taxable years. In particular, so long as we do not generate revenue from operations for any taxable year and do not receive any research and development grants, or even if we receive a research and development grant, if such grant does not constitute gross income for United States federal income tax purposes, we likely will be classified as a PFIC for such taxable year. Because the determination of whether we are a PFIC for any taxable year is a factual determination made annually after the end of each taxable year, there can be no assurance that we will not be considered a PFIC in any taxable year.

The tax consequences that would apply if we are classified as a PFIC would also be different from those described above if a U.S. shareholder were able to make a valid qualified electing fund, or QEF, election. At this time, we do not expect to provide U.S. shareholders with the information necessary for a U.S. shareholder to make a QEF election. Prospective investors should assume that a QEF election will not be available.

If a United States person is treated as owning at least 10% of our shares, such holder may be subject to adverse U.S. federal income tax consequences.

If a United States person is treated as owning (directly, indirectly or constructively) at least 10% of the value or voting power of our shares, such person may be treated as a "United States shareholder" with respect to each "controlled foreign corporation" in our group (if any). If our group includes one or more U.S. subsidiaries, certain of our non-U.S. subsidiaries could be treated as controlled foreign corporations (regardless of whether we are or are not treated as a controlled foreign corporation). A United States shareholder of a controlled foreign corporation may be required to annually report and include in its U.S. taxable income its pro rata share of "Subpart F income," "global intangible low-taxed income" and investments in U.S. property by controlled foreign corporations, whether or not we make any distributions. An individual that is a United States shareholder with respect to a controlled foreign corporation generally would not be allowed certain tax deductions or foreign tax credits that would be allowed to a United States shareholder that is a U.S. corporation. A failure to comply with these reporting obligations may subject you to significant monetary penalties and may prevent the statute of limitations with respect to your U.S. federal income tax return for the year for which reporting was due from starting. We cannot provide any assurances that we will assist investors in determining whether any of our non-U.S. subsidiaries are treated as a controlled foreign corporation or whether such investor is treated as a United States shareholder with respect to any of such controlled foreign corporations or furnish to any United States shareholders information that may be necessary to comply with the aforementioned reporting and tax paying obligations. A United States investor should

consult their own advisors regarding the potential application of these rules to its investment in the shares.

We have never paid cash dividends on our share capital, and we do not anticipate paying any cash dividends in the foreseeable future.

We have never declared or paid cash dividends on our ordinary shares. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends in the foreseeable future. As a result, capital appreciation, if any, of our ordinary shares will be investors' sole source of gain for the foreseeable future. In addition, Israeli law limits our ability to declare and pay dividends, and may subject our dividends to Israeli withholding taxes.

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

The trading market for our ordinary shares will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. We do not have any control over these analysts and we cannot provide any assurance that analysts will cover us or provide favorable coverage. If any of the analysts who may cover us adversely change their recommendation regarding our shares, or provide more favorable relative recommendations about our competitors, our share price would likely decline. If any analyst who may cover us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline.

As a foreign private issuer, we are permitted, and intend, to follow certain home country corporate governance practices instead of otherwise applicable Nasdaq requirements, and we will not be subject to certain U.S. securities laws including, but not limited to, U.S. proxy rules and the filing of certain Exchange Act reports.

As a foreign private issuer, we will be permitted, and intend, to follow certain home country corporate governance practices instead of those otherwise required by the Nasdaq Stock Market for domestic U.S. issuers. Following our home country governance practices as opposed to the requirements that would otherwise apply to a U.S. company listed on The Nasdaq Global Market may provide less protection to you than what is accorded to investors under the listing rules of Nasdaq applicable to domestic U.S. issuers. See the section titled "Management—Corporate Governance Practices."

As a foreign private issuer, we will be exempt from the rules and regulations under the Securities Exchange Act of 1934, or the Exchange Act, related to the furnishing and content of proxy statements, including the applicable compensation disclosure requirements. Nevertheless, pursuant to regulations promulgated under the Israeli Companies Law, 5759-1999, or the Israeli Companies Law, we are required to disclose the annual compensation of our five most highly compensated office holders on an individual basis. Such disclosure will not be as extensive as that required of a U.S. domestic issuer. Our officers, directors and principal shareholders will also be exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file reports and financial statements with the SEC as frequently or as promptly as U.S. domestic companies whose securities are registered under the Exchange Act and we will be exempt from filing quarterly reports with the SEC under the Exchange Act. Moreover, we will not be required to comply with Regulation FD, which restricts the selective disclosure of material information, although we intend to voluntarily adopt a corporate disclosure policy substantially similar to Regulation FD. These exemptions and leniencies will reduce the frequency and scope of information and protections to which you may otherwise have been eligible in relation to a U.S. domestic issuer.

We would lose our foreign private issuer status if a majority of our shares are owned by U.S. residents and a majority of our directors or executive officers are U.S. citizens or residents or we fail to meet additional requirements necessary to avoid loss of foreign private issuer status. The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer may be significantly higher. If we are not a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. We may also be required to modify certain of our policies to comply with accepted governance practices associated with U.S. domestic issuers. Such conversion and modifications will involve additional costs. In addition, we would lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers.

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

We are an emerging growth company, as defined in the JOBS Act, and we may take advantage of certain exemptions from various requirements that are applicable to other public companies that are not emerging growth companies.

For as long as we remain an emerging growth company we are permitted and intend to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not "emerging growth companies." These exemptions include:

- being permitted to provide only two years of audited financial statements, in addition to any required unaudited condensed consolidated interim financial statements, with correspondingly reduced "Management's Discussion and Analysis of Financial Condition and Results of Operations" disclosure;
- not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements;
- reduced disclosure obligations regarding executive compensation; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

We will remain an emerging growth company until the earliest of: (i) the last day of our fiscal year during which we have total annual gross revenues of at least \$1.07 billion; (ii) the last day of our fiscal year following the fifth anniversary of the closing of this offering; (iii) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt; or (iv) the date on which we are deemed to be a "large accelerated filer" under the Exchange Act. We have opted out of the extended transition period made available to emerging growth companies to comply with newly adopted public company accounting requirements.

When we are no longer deemed to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above. We cannot predict if investors will find our ordinary shares less attractive as a result of our reliance on exemptions under the JOBS Act. If some investors find our ordinary shares less attractive as a result, there may be a less active trading market for our ordinary shares and our share price may be more volatile.

Risks Related to Israeli Law and Our Operations in Israel

Our headquarters and other significant operations are located in Israel, and, therefore, our results may be adversely affected by political, economic and military instability in Israel.

Our executive offices, research and development laboratories and manufacturing facility are located in Petach Tikva, Israel. In addition, the majority of our key employees, officers and directors are residents of Israel. If these or any future facilities in Israel were to be damaged, destroyed or otherwise unable to operate, whether due to war, acts of hostility, earthquakes, fire, floods, hurricanes, storms, tornadoes, other natural disasters, employee malfeasance, terrorist acts, power outages or otherwise, or if performance of our research and development is disrupted for any other reason, such an event could delay our clinical trials or, if our product candidates are approved and we choose to manufacture all or any part of them internally, jeopardize our ability to manufacture our products as promptly as our prospective customers will likely expect, or possibly at all. If we experience delays in achieving our development objectives, or if we are unable to manufacture an approved product within a timeframe that meets our prospective customers' expectations, our business, prospects, financial results and reputation could be harmed.

Political, economic and military conditions in Israel may directly affect our business. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and groups in its neighboring countries, Hamas (an Islamist militia and political group that has historically controlled the Gaza Strip) and Hezbollah (an Islamist militia and political group based in Lebanon). In addition, several countries, principally in the Middle East, restrict doing business with Israel, and additional countries may impose restrictions on doing business with Israel and Israeli companies whether as a result of hostilities in the region or otherwise. Any hostilities involving Israel, terrorist activities, political instability or violence in the region or the interruption or curtailment of trade or transport between Israel and its trading partners could adversely affect our operations and results of operations and the market price of our ordinary shares.

Our commercial insurance does not cover losses that may occur as a result of an event associated with the security situation in the Middle East. Although the Israeli government is currently committed to covering the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained or, if maintained, will be sufficient to compensate us fully for damages incurred. Any losses or damages incurred by us could have a material adverse effect on our business, financial condition and results of operations.

Further, our operations could be disrupted by the obligations of our employees to perform military service. As of March 31, 2020, we had 57 full-time employees based in Israel. Of these employees, some may be military reservists, and may be called upon to perform military reserve duty of up to 36 days per year (and in some cases more) until they reach the age of 40 (and in some cases, up to the age of 45 or older). Additionally, they may be called to active duty at any time under emergency circumstances. In response to increased tension and hostilities in the region, there have been, at times, call-ups of military reservists, and it is possible that there will be additional call-ups in the future. Our operations could be disrupted by the absence of these employees due to military service. Such disruption could harm our business and operating results.

Our operations are subject to currency and interest rate fluctuations.

Although our functional currency is the U.S. dollar, and our financial records are maintained in U.S. dollars, we also incur expenses in Euros and New Israeli Shekels. In the future, we expect that a substantial portion of our revenues will be generated in U.S. dollars, Euros and other foreign currencies, although we currently incur a significant portion of our expenses in currencies other than U.S. dollars, mainly New Israeli Shekels. As a result, we are affected by foreign currency exchange fluctuations through both translation risk and transaction risk, and our financial results may be affected by fluctuations in the exchange rates of currencies in the countries in which our prospective product

candidates may be sold. We currently partially hedge our foreign currency exchange rate risk to decrease the risk of financial exposure from fluctuations in the exchange rates of our principal operating currencies.

We received Israeli government grants for certain of our research and development activities, the terms of which may require us to pay royalties and to satisfy specified conditions in order to manufacture products and transfer technologies outside of Israel. If we fail to satisfy these conditions, we may be required to pay penalties and refund grants previously received.

Our research and development efforts have been financed in part through royalty-bearing and non-royalty-bearing grants in an aggregate amount of \$5.2 million that we received from the IIA as of March 31, 2020. The current IIA-approved research and development grants ended on December 31, 2018. With respect to the royalty-bearing grants we are committed to pay royalties at a rate of 3.0% on sales proceeds from our products that were developed under IIA programs up to the total amount of grants received, linked to the U.S. dollar and bearing interest at an annual rate of LIBOR applicable to U.S. dollar deposits. We are further required to comply with the requirements of the Israeli Encouragement of Industrial Research, Development and Technological Innovation Law, 5744-1984, as amended, and related regulations, or the Research Law, with respect to those past grants. When a company develops know-how, technology or products using IIA grants, the terms of these grants and the Research Law restrict the transfer or license of such know-how, and the transfer of manufacturing or manufacturing rights of such products, technologies or know-how outside of Israel, without the prior approval of the IIA. Therefore, the discretionary approval of an IIA committee would be required for any transfer or license to third parties inside or outside of Israel of know how or for the transfer outside of Israel of manufacturing or manufacturing rights related to those aspects of such technologies. We may not receive those approvals. Furthermore, the IIA may impose certain conditions on any arrangement under which it permits us to transfer technology or development.

The transfer or license of IIA-supported technology or know-how outside of Israel and the transfer of manufacturing of IIA-supported products, technology or know-how outside of Israel may involve the payment of significant amounts, depending upon the value of the transferred or licensed technology or know-how, our research and development expenses, the amount of IIA support, the time of completion of the IIA-supported research project and other factors. These restrictions and requirements for payment may impair our ability to sell, license or otherwise transfer our 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 consideration available to our shareholders in a transaction involving the transfer outside of Israel of technology or know-how developed with IIA funding (such as a merger or similar transaction) may be reduced by any amounts that we are required to pay to the IIA.

Provisions of Israeli law and our amended and restated articles of association may delay, prevent or otherwise impede a merger with, or an acquisition of, us, which could prevent a change of control, even when the terms of such a transaction are favorable to us and our shareholders.

Israeli corporate law regulates mergers, requires tender offers for acquisitions of shares above specified thresholds, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to such types of transactions. For example, a merger may not be consummated unless at least 50 days have passed from the date on which a merger proposal is filed by each merging company with the Israel Registrar of Companies and at least 30 days have passed from the date on which the shareholders of both merging companies have approved the merger. In addition, a majority of each class of securities of the target company must approve a merger. Moreover, a tender offer for all of a company's issued and outstanding shares can only be completed if the acquirer receives positive responses from the holders of at least 95% of the issued share capital. Completion of the tender offer also requires approval of a majority of the offerees

that do not have a personal interest in the tender offer, unless, following consummation of the tender offer, the acquirer would hold at least 98% of the Company's outstanding shares. Furthermore, the shareholders, including those who indicated their acceptance of the tender offer, may, at any time within six months following the completion of the tender offer, claim that the consideration for the acquisition of the shares does not reflect their fair market value, and petition an Israeli court to alter the consideration for the acquisition accordingly, unless the acquirer stipulated in its tender offer that a shareholder that accepts the offer may not seek such appraisal rights, and the acquirer or the company published all required information with respect to the tender offer prior to the tender offer's response date.

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

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

We were incorporated in Israel. Substantially all of our executive officers and directors reside outside of the United States, and all of our assets and most of the assets of these persons are located outside of the United States. Therefore, a judgment obtained against us, 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 be enforced by an Israeli court. It also may be difficult for you to effect service of process on these persons in the United States or to assert U.S. securities law claims in original actions instituted in Israel. 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 must be proven as a fact by 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 us in Israel, you may not be able to collect any damages awarded by either a U.S. or foreign court. See "Enforceability of Civil Liabilities" for additional information on your ability to enforce a civil claim against us and our executive officers or directors named in this prospectus.

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

The rights and responsibilities of the holders of our ordinary shares are governed by our amended and restated articles of association and by Israeli law. These rights and responsibilities differ in some material respects from the rights and responsibilities of shareholders in U.S. companies. In particular, a

shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising its rights and performing its obligations towards the company and other shareholders, and to refrain from abusing its power in such company, including, among other things, in voting at a general meeting of shareholders on matters such as amendments to a company's amended and restated articles of association, increases in a company's authorized share capital, mergers and acquisitions and related party transactions requiring shareholder approval, as well as a general duty to refrain from discriminating against other shareholders. In addition, a shareholder who is aware that it possesses the power to determine the outcome of a vote at a meeting of the shareholders or to appoint or prevent the appointment of a director or executive officer in the company has a duty of fairness toward the company. See "Management—Approval of Related Party Transactions under Israeli Law—Fiduciary Duties of Directors and Executive Officers—Shareholder Duties" for additional information. There is limited case law available to assist us in understanding the nature of these duties or the implications of these provisions. These provisions may be interpreted to impose additional obligations and liabilities on holders of our ordinary shares that are not typically imposed on shareholders of U.S. companies.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements concerning our business, operations and financial performance and condition, as well as our plans, objectives and expectations for our business operations and financial performance and condition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "assume," "believe," "contemplate," "continue," "could," "due," "estimate," "expect," "goal," "intend," "may," "objective," "plan," "predict," "potential," "positioned," "seek," "should," "target," "will," "would," and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable terminology. These forward-looking statements include, but are not limited to, statements about:

- the timing and conduct of our clinical trials of D-PLEX₁₀₀ and any future product candidates, including statements regarding the timing, progress and results of current and future clinical trials and preclinical studies, and our research and development programs;
- the clinical utility, potential advantages and timing or likelihood of regulatory filings and approvals of D-PLEX₁₀₀;
- our plans regarding utilization of regulatory pathways that would allow for accelerated marketing approval in the United States, the European Union and other jurisdictions for D-PLEX₁₀₀ and any future product candidates;
- our expectations regarding timing for application for and receipt of regulatory approval for D-PLEX₁₀₀;
- our manufacturing capabilities and strategy, including the scalability and commercial viability of our manufacturing methods and processes;
- the impact of the COVID-19 pandemic on our business and operations, including our ongoing and planned clinical trials;
- our ongoing and planned discovery and development of product candidates;
- our expectations regarding future growth, including our ability to develop, and obtain regulatory approval for, new product candidates;
- our expectations regarding when certain patents may be issued and the protection and enforcement of our intellectual property rights;
- our plans to develop and commercialize D-PLEX₁₀₀ and any future product candidates;
- our estimates regarding the market opportunity for D-PLEX₁₀₀;
- our ability to maintain relationships with certain third parties;
- our estimates regarding anticipated capital requirements and our needs for additional financing;
- our planned level of capital expenditures;
- our expectations regarding licensing, acquisitions and strategic partnering;
- our expectations regarding the maintenance of our foreign private issuer status;
- the impact of government laws and regulations; and
- our expectations regarding the use of proceeds from this offering.

Forward-looking statements are based on our management's current expectations, estimates, forecasts and projections about our business and the industry in which we operate and our

management's beliefs and assumptions, and are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this prospectus may turn out to be inaccurate. Important factors that may cause actual results to differ materially from current expectations include, among other things, those listed under "Risk Factors" and elsewhere in this prospectus. Potential investors are urged to consider these factors carefully in evaluating the forward-looking statements.

The forward-looking statements included in this prospectus speak only as of the date of this prospectus. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future. You should, however, review the factors and risks we describe in the reports we will file from time to time with the SEC after the date of this prospectus. See "Where You Can Find More Information."

USE OF PROCEEDS

We estimate that the net proceeds from the sale of ordinary shares in this offering will be approximately \$44.9 million, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, based on an assumed initial public offering price of \$16.00 per ordinary share, which is the midpoint of the price range set forth on the cover page of this prospectus. If the underwriters exercise their option to purchase up to an additional ordinary shares in full, we estimate that the net proceeds to us from this offering will be approximately \$51.9 million, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Each \$1.00 increase (decrease) in the assumed initial public offering price of \$16.00 per ordinary share would increase (decrease) the net proceeds to us from this offering, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, by \$2.9 million, assuming that the number of ordinary shares offered by us, as set forth on the cover page of this prospectus, remains the same. We may also increase or decrease the number of ordinary shares we are offering. An increase (decrease) of 1.0 million in the number of ordinary shares we are offering would increase (decrease) the net proceeds to us from this offering, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, by \$14.9 million, assuming the assumed initial public offering price stays the same.

We intend to use the net proceeds from this offering, together with our existing cash, cash equivalents and short-term deposits, as follows:

- approximately \$32 million to \$35 million to initiate and complete our first planned Phase 3 clinical trial of D-PLEX₁₀₀ for the prevention of SSIs after abdominal surgery, to initiate and conduct the second trial and to prepare for the submission of an NDA to the FDA; and
- the balance for other general corporate purposes, including for research and development, and working capital.

We may also use a portion of the net proceeds from this offering to acquire or invest in complementary products, technologies or businesses, although we have no present agreements or commitments to do so.

Although we currently anticipate that we will use the net proceeds from this offering as described above, there may be circumstances where a reallocation of funds is necessary. Due to the uncertainties inherent in the clinical development and regulatory approval process, it is difficult to estimate with certainty the exact amounts of the net proceeds from this offering that may be used for any of the above purposes on a stand-alone basis. Amounts and timing of our actual expenditures will depend upon a number of factors, including our sales, marketing and commercialization efforts, regulatory approval and demand for our product candidates, operating costs and other factors described under "Risk Factors" in this prospectus. Accordingly, our management will have flexibility in applying the net proceeds from this offering. An investor will not have the opportunity to evaluate the economic, financial or other information on which we base our decisions on how to use the proceeds.

Based on our current plans, we believe that our existing cash, cash equivalents and short-term deposits, together with the net proceeds of this offering, will be sufficient to enable us to fund our operating expenses and capital expenditure requirements through the second half of 2022. We anticipate that these funds, together with the net proceeds of this offering, will be sufficient to complete and report results from our first planned Phase 3 clinical trial of D-PLEX₁₀₀ for the prevention of SSIs after abdominal surgery, to initiate and complete enrollment of the second planned Phase 3 trial in that indication and, assuming positive results from the first trial, to prepare for the submission of an NDA to the FDA for D-PLEX₁₀₀ for the prevention of SSIs after abdominal surgery. We anticipate that we will need to raise additional capital in order to complete the second Phase 3 trial of D-PLEX₁₀₀ for the prevention of SSIs after abdominal surgery and to submit the NDA for this

indication, as well as to resume enrollment in our Phase 3 trial of D-PLEX₁₀₀ for the prevention of sternal SSIs. We have based this estimate on assumptions that may prove to be incorrect, and we could use our available capital resources sooner than we currently expect.

Pending our application of the net proceeds from this offering, we plan to invest such proceeds in short-term, investment-grade, interest-bearing securities and depository institutions.

DIVIDEND POLICY

We have never declared or paid any cash dividends to our shareholders of our ordinary shares, and we do not anticipate or intend to pay cash dividends in the foreseeable future. Payment of cash dividends, if any, in the future will be at the discretion of our board of directors in compliance with applicable legal requirements and will depend on a number of factors, including future earnings, our financial condition, operating results, contractual restrictions, capital requirements, business prospects, our strategic goals and plans to expand our business, applicable law and other factors that our board of directors may deem relevant.

The Israeli Companies Law imposes further restrictions on our ability to declare and pay dividends. See "Description of Share Capital—Dividend and Liquidation Rights" for additional information.

Payment of dividends may be subject to Israeli withholding taxes. See "Taxation—Material Israeli Tax Considerations" for additional information.

CAPITALIZATION

The following table sets forth our cash, cash equivalents and short-term deposits and capitalization as of March 31, 2020, on:

- an actual basis;
- a pro forma basis to give effect to (i) the automatic conversion of all outstanding preferred shares into 12,679,928 ordinary shares upon the closing of this offering, after giving effect to an anti-dilution adjustment relating to our Series E-1 preferred shares described in the section titled "Description of Capital Stock—Conversion of Preferred Shares," and, (ii) the exercise of warrants to purchase 53,775 Series A preferred shares, and the automatic conversion thereof into 53,775 ordinary shares, which will occur upon the closing of this offering; and
- a pro forma as adjusted basis to give further effect to the (i) sale of 3,125,000 ordinary shares in this offering at the assumed initial public offering price of \$16.00 per ordinary share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us and (ii) the adoption of our amended and restated articles of association prior to the closing of this offering.

The pro forma and pro forma as adjusted data included in the table below are also unaudited. You should read this information together with our condensed consolidated financial statements appearing elsewhere in this prospectus and the information set forth under the headings "Selected Financial Data," "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of March 31, 2020		
	Actual	Pro Forma (unaudited) (in thousands)	Pro Forma As Adjusted
Cash, cash equivalents and short-term deposits ⁽¹⁾	\$ 21,359	\$ 21,372	\$ 66,371
Convertible preferred shares warrant liability	\$ 13,753	\$ —	\$ —
Preferred A, A-1, B, B-1, C-1, C-2, D-1, D-3, E and E-1 shares with no par value: 17,916,412 shares authorized and pro forma actual; no shares authorized, pro forma as adjusted; 12,520,977 shares issued and outstanding, actual; no shares issued and outstanding, pro forma and pro forma as adjusted	106,313	—	—
Shareholders' (deficiency) equity:			
Ordinary shares with no par value: 22,466,000 shares authorized, actual and pro forma; 47,800,000 shares authorized pro forma as adjusted; 562,748 shares issued and outstanding, actual; 13,296,451 shares issued and outstanding, pro forma; 16,421,451 shares issued and outstanding, pro forma as adjusted	—	—	—
Additional paid-in capital	5,860	125,517	170,839
Accumulated deficit	(99,172)	(99,172)	(99,172)
Total shareholders' (deficiency) equity ⁽¹⁾	(93,312)	26,345	71,667
Total capitalization ⁽¹⁾	\$ 26,754	\$ 26,345	\$ 71,667

- (1) Each \$1.00 increase or decrease in the assumed initial public offering price of \$16.00 per ordinary share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, respectively, the amount of cash, cash equivalents and short-term

deposits, total shareholders' (deficiency) equity and total capitalization by \$2.9 million, assuming the number of ordinary shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of ordinary shares we are offering. An increase or decrease of 1.0 million in the number of ordinary shares we are offering would increase or decrease, respectively, the amount of cash, cash equivalents and short-term deposits, total shareholders' (deficiency) equity and total capitalization by \$14.9 million, assuming the assumed initial public offering price per ordinary share, as set forth on the cover page of this prospectus, remains the same. The pro forma as adjusted information is illustrative only, and we will adjust this information based on the actual initial public offering price and other terms of this offering determined at pricing.

The number of ordinary shares issued and outstanding, actual, pro forma and pro forma as adjusted shown in the foregoing table and calculations excludes:

- 1,343,576 ordinary shares reserved for issuance upon the exercise of outstanding exercisable stock options as of March 31, 2020 with a weighted average exercise price of \$4.54 per share;
- 314,890 ordinary shares reserved for issuance upon the exercise of outstanding stock options as of March 31, 2020, which such options are not yet exercisable, with a weighted average exercise price of \$6.28 per share;
- 101,336 ordinary shares reserved for issuance upon the exercise of outstanding exercisable stock options granted subsequent to March 31, 2020 with an exercise price of \$6.62 per share, all of which were granted to our executive officers and directors;
- 902,744 ordinary shares reserved for issuance upon the exercise of outstanding stock options granted subsequent to March 31, 2020, which such options are not yet exercisable, with an exercise price of \$6.62 per share, including options to purchase 369,733 ordinary shares granted to our executive officers and directors;
- 1,068,917 ordinary shares reserved for issuance under our Amended and Restated 2012 Share Option Plan, as of the date of this prospectus, including 812,600 additional ordinary shares that will become reserved for issuance effective upon the closing of this offering, as well as any automatic increases in the number of ordinary shares reserved for issuance under the Amended and Restated 2012 Share Option Plan;
- 2,755,398 ordinary shares issuable upon the exercise of outstanding warrants to purchase Series D-2 preferred shares, at a weighted average exercise price of \$9.24 per ordinary share, which warrants will automatically convert into warrants to purchase ordinary shares upon the closing of this offering and are expected to remain outstanding at the consummation of this offering;
- 200,596 ordinary shares issuable upon the exercise of outstanding warrants to purchase Series E-1 preferred shares, at a weighted average exercise price of \$15.95 per ordinary share, which warrants will automatically convert into warrants to purchase ordinary shares upon the closing of this offering and are expected to remain outstanding at the consummation of this offering; and
- 17,925 ordinary shares issuable upon the exercise of a warrant to purchase ordinary shares at an exercise price equal to the initial public offering price per share, which such warrant is expected to be issued to Stanley Stern, a member of our board of directors, upon the closing of this offering pursuant to an advisory agreement (see "Certain Relationships and Related Party Transactions—Advisory Agreement with Stanley Stern").

DILUTION

If you invest in our ordinary shares in this offering, your interest will be immediately diluted to the extent of the difference between the initial public offering price per ordinary share in this offering and the pro forma as adjusted net tangible book value per ordinary share after this offering. Dilution results from the fact that the initial public offering price per ordinary share is substantially in excess of the net tangible book value per ordinary share. As of March 31, 2020, we had a historical net tangible book value of \$(93.3) million, or \$(165.81) per ordinary share. Our net tangible book value per share represents total tangible assets less total liabilities, divided by the number of ordinary shares outstanding on March 31, 2020.

Our pro forma net tangible book value as of March 31, 2020 was \$26.3 million, or \$1.98 per ordinary share. Pro forma net tangible book value per share represents total tangible assets less total liabilities, divided by the number of ordinary shares outstanding as of March 31, 2020, after giving effect to the automatic conversion of all outstanding preferred shares into ordinary shares, after giving effect to an anti-dilution adjustment relating to our Series E-1 preferred shares described in the section titled "Description of Capital Stock—Conversion of Preferred Shares," and the exercise of warrants to purchase 53,775 Series A preferred shares, and the automatic conversion thereof into 53,775 ordinary shares, which will occur upon the closing of this offering.

After giving effect to the sale of ordinary shares in this offering at an assumed initial public offering price of \$16.00 per ordinary share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses, and after taking into account the automatic conversion of all of our outstanding preferred shares into ordinary shares and the exercise of warrants to purchase 53,775 Series A preferred shares, and the automatic conversion thereof into 53,775 ordinary shares, which will occur upon the closing of this offering, our pro forma as adjusted net tangible book value at March 31, 2020 would have been \$4.36 per share. This represents an immediate increase in pro forma as adjusted net tangible book value of \$2.38 per share to existing shareholders and immediate dilution of \$11.64 per ordinary share to new investors. The following table illustrates this dilution per ordinary share:

Assumed initial public offering price per ordinary share	\$ 16.00
Historical net tangible book value per ordinary share as of March 31, 2020	\$ (165.81)
Increase in net tangible book value per ordinary share due to conversion of preferred shares and exercise of warrants to purchase shares of Series A preferred shares	167.79
Pro forma net tangible book value per ordinary share as of March 31, 2020	1.98
Increase in pro forma net tangible book value per ordinary share attributable to new investors	<u>2.38</u>
Pro forma as adjusted net tangible book value per ordinary share after this offering	4.36
Dilution per ordinary share to new investors participating in this offering	<u>\$ 11.64</u>

The pro forma and pro forma as adjusted information is illustrative only, and we will adjust this information based on the actual initial public offering price and other terms of this offering determined at pricing. A \$1.00 increase (decrease) in the assumed initial public offering price of \$16.00 per ordinary share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value as of March 31, 2020 after this offering by approximately \$0.18 per ordinary share, and would increase (decrease) dilution to investors in this offering by \$0.18 per ordinary share, assuming that the number of ordinary shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, and excluding any additional anti-dilution adjustment relating to our Series E-1 preferred shares. We may

also increase or decrease the number of ordinary shares we are offering. An increase (decrease) of 1.0 million in the number of ordinary shares we are offering would increase (decrease) our pro forma as adjusted net tangible book value as of March 31, 2020 after this offering by approximately \$0.60 per ordinary share, and would decrease (increase) dilution to investors in this offering by approximately \$0.60 per ordinary share, assuming the assumed initial public offering price per ordinary share remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise in full their option to purchase additional ordinary shares, the pro forma as adjusted net tangible book value will increase to \$4.66 per ordinary share, representing an immediate increase in pro forma as adjusted net tangible book value to existing shareholders of \$0.29 per ordinary share and an immediate dilution of \$0.29 per ordinary share to new investors participating in this offering.

The following table shows, as of March 31, 2020, on a pro forma as adjusted basis, the number of ordinary shares purchased from us, the total consideration paid to us and the average price paid per share by existing shareholders and by new investors purchasing ordinary shares in this offering at an assumed initial public offering price of \$16.00 per ordinary share, which is the midpoint of the price range set forth on the cover page of this prospectus, before deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us:

(in thousands, except share and per share amounts and percentages)	Shares Subscribed for/Purchased		Total Consideration		Average Price per Share
	Number	Percent	Amount	Percent	
Existing shareholders	13,296,451	81%	\$ 113,603,099	69%	\$ 8.54
Investors participating in this offering	3,125,000	19	50,000,000	31	
Total	16,421,451	100%	\$ 163,603,099	100%	

A \$1.00 increase (decrease) in the assumed initial public offering price of \$16.00 per ordinary share (the midpoint of the price range set forth on the cover page of this prospectus) would increase (decrease) the total consideration paid by investors participating in this offering, total consideration paid by all shareholders and the average price per share paid by all shareholders by approximately \$3.1 million, \$3.1 million and \$10.15, respectively, assuming that the number of ordinary shares offered by us, as set forth on the cover page of this prospectus, remains the same and before deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, a 1.0 million share increase (decrease) in the number of ordinary shares offered by us, as set forth on the cover of this prospectus, would increase (decrease) the total consideration paid by investors participating in this offering, total consideration paid by all shareholders and the average price per share paid by all shareholders by approximately \$16.0 million, \$16.0 million and \$10.31, respectively, assuming the assumed initial public offering price of \$16.00 per ordinary share (the midpoint of the price range set forth on the cover page of this prospectus) remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The tables and discussion above shown are based on 13,296,451 ordinary shares outstanding as of March 31, 2020, after giving effect to the automatic conversion of all outstanding preferred shares into ordinary shares and the exercise of warrants to purchase 53,775 Series A preferred shares, and the automatic conversion thereof into 53,775 ordinary shares, each of which will occur upon the closing of this offering, and excludes:

- 1,343,576 ordinary shares reserved for issuance upon the exercise of outstanding exercisable stock options as of March 31, 2020 with a weighted average exercise price of \$4.54 per share;

- 314,890 ordinary shares reserved for issuance upon the exercise of outstanding stock options as of March 31, 2020, which such options are not yet exercisable, with a weighted average exercise price of \$6.28 per share;
- 101,336 ordinary shares reserved for issuance upon the exercise of outstanding exercisable stock options granted subsequent to March 31, 2020 with an exercise price of \$6.62 per share, all of which were granted to our executive officers and directors;
- 902,744 ordinary shares reserved for issuance upon the exercise of outstanding stock options granted subsequent to March 31, 2020, which such options are not yet exercisable, with an exercise price of \$6.62 per share, including options to purchase 369,733 ordinary shares granted to our executive officers and directors;
- 1,068,917 ordinary shares reserved for issuance under our Amended and Restated 2012 Share Option Plan, as of the date of this prospectus, including 812,600 additional ordinary shares that will become reserved for issuance effective upon the closing of this offering, as well as any automatic increases in the number of ordinary shares reserved for issuance under the Amended and Restated 2012 Share Option Plan;
- 2,755,398 ordinary shares issuable upon the exercise of outstanding warrants to purchase Series D-2 preferred shares, at a weighted average exercise price of \$9.24 per ordinary share, which warrants will automatically convert into warrants to purchase ordinary shares upon the closing of this offering and are expected to remain outstanding at the consummation of this offering;
- 200,596 ordinary shares issuable upon the exercise of outstanding warrants to purchase Series E-1 preferred shares, at a weighted average exercise price of \$15.95 per ordinary share, which warrants will automatically convert into warrants to purchase ordinary shares upon the closing of this offering and are expected to remain outstanding at the consummation of this offering; and
- 17,925 ordinary shares issuable upon the exercise of a warrant to purchase ordinary shares at an exercise price equal to the initial public offering price per share, which such warrant is expected to be issued to Stanley Stern, a member of our board of directors, upon the closing of this offering pursuant to an advisory agreement (see "Certain Relationships and Related Party Transactions—Advisory Agreement with Stanley Stern").

To the extent that outstanding options are exercised, new options or warrants are issued or we issue additional ordinary shares in the future, there will be further dilution to new investors. We may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our equity holders.

Certain of our existing shareholders, including entities affiliated with certain of our directors and beneficial owners of greater than 5% of our share capital, have indicated an interest in purchasing up to an aggregate of \$27 million of ordinary shares in this offering at the initial public offering price per share. Based on an assumed initial public offering price of \$16.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, these shareholders would purchase up to an aggregate of 1,687,500 of the 3,125,000 ordinary shares in this offering based on these indications of interest. However, because indications of interest are not binding agreements or commitments to purchase, these shareholders may determine to purchase more, less or no ordinary shares in this offering. It is also possible that these shareholders could indicate an interest in purchasing more ordinary shares. In addition, the underwriters could determine to sell fewer ordinary shares to any of these shareholders than the shareholders indicate an interest in purchasing or not to sell any ordinary shares to these shareholders. The foregoing discussion and tables do not reflect any potential purchases by these shareholders.

SELECTED CONSOLIDATED FINANCIAL DATA

The following table summarizes our financial data. We have derived the following statements of operations data for the years ended December 31, 2019 and 2018 and the balance sheet data as of December 31, 2019 and 2018 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the summary consolidated statement of operations data for the three months ended March 31, 2020 and 2019 and the summary consolidated balance sheet data as of March 31, 2020 from our unaudited consolidated financial statements included elsewhere in this prospectus. Such financial statements have been prepared in accordance with U.S. GAAP. In our opinion, the unaudited interim consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements and contains all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of such unaudited interim financial statements. Our historical results are not necessarily indicative of the results that may be expected in the future, and our results for any interim period are not necessarily indicative of results that may be expected for any full year. The following selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and related notes included elsewhere in this prospectus.

	<u>Year Ended December 31,</u>		<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>	<u>2020</u>	<u>2019</u>
	(unaudited)			
	(in thousands, except share and per share amounts)			
Statements of operations data:				
Research and development, net	\$ 14,083	\$ 12,550	\$ 3,433	\$ 3,477
General and administrative	4,477	5,814	1,003	720
Operating loss	(18,560)	(18,364)	(4,436)	(4,197)
Financial income (expense), net	11,655	24,281	(1,433)	2,967
Net (loss) profit	\$ (6,905)	\$ 5,917	\$ (5,869)	\$ (1,230)
Basic net (loss) profit per ordinary share	\$ (23.69)	\$ 0.16	\$ (13.90)	\$ (4.51)
Diluted net loss per ordinary share	\$ (23.69)	\$ (0.86)	\$ (13.90)	\$ (4.51)
Weighted average number of ordinary shares used in computing basic net loss per share	562,451	561,113	562,748	562,179
Weighted average number of ordinary shares used in computing diluted net loss per share	562,451	613,358	562,748	562,179
Pro forma basic and diluted net loss per ordinary share ⁽¹⁾	\$ (1.13)		\$ (0.59)	
Weighted average number of ordinary shares used in computing, basic and diluted net loss per share—pro forma (unaudited)	11,815,336		13,296,451	

- (1) See Note 13 to our audited consolidated financial statements and Note 8 to our unaudited consolidated interim financial statements included elsewhere in this prospectus for an explanation of the method used to calculate the historical and pro forma basic and diluted net loss per ordinary share.

	<u>As of December 31,</u>		<u>As of</u>
	<u>2019</u>	<u>2018</u>	<u>March 31, 2020</u>
	<u>(in thousands)</u>		
Balance sheet data:			
Cash, cash equivalents and short-term deposits	\$ 26,609	\$ 7,327	\$ 21,359
Working capital ⁽¹⁾	24,822	4,345	20,007
Total assets	33,752	14,484	29,071
Convertible preferred shares warrant liability	12,241	22,926	13,753
Convertible preferred shares	106,313	69,347	106,313
Total shareholders' deficiency	(87,632)	(81,710)	(93,312)

(1) Working capital is defined as total current assets minus total current liabilities

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

You should read the following discussion in conjunction with our audited consolidated financial statements including the related notes thereto, beginning on page F-1 of this prospectus. In addition to historical information, this discussion contains forward-looking statements that involve risks and uncertainties. You should read the sections of this prospectus titled "Risk Factors" and "Special Note Regarding Forward-Looking Statements" for a discussion of the factors that could cause our actual results to differ materially from our expectations.

Overview

We are a Phase 3 clinical-stage biopharmaceutical company focused on developing targeted, locally administered and prolonged-release therapeutics using our proprietary Polymer-Lipid Encapsulation matrix, or PLEX, technology. Our product candidates are designed to address diseases with high unmet medical needs by pairing our PLEX technology with drugs already approved by the U.S. Food and Drug Administration, or the FDA. Our PLEX technology is designed to deliver drugs directly to precise sites in the body at predetermined release rates and over durations ranging from several days to several months. We believe that our PLEX technology and product candidates have the potential to cause a major shift in the management of a wide variety of localized medical conditions, including surgical site infections, or SSIs, cancer, inflammation and pain. Our lead product candidate, D-PLEX₁₀₀, is in a potentially pivotal Phase 3 clinical trial for the prevention of sternal (bone) SSIs. We also plan to initiate the first of two potentially pivotal Phase 3 trials of D-PLEX₁₀₀ for the prevention of abdominal (soft tissue) SSIs in the third quarter of 2020. We expect to report topline results from this trial at the end of 2021 and to initiate the second Phase 3 trial approximately six months after the initiation of the first trial.

Since our inception in 2008, we have incurred significant operating losses. Our operating loss for the years ended December 31, 2018 and 2019 were \$18.4 million and \$18.6 million, respectively, and our operating loss for the three months ended March 31, 2020 was \$4.4 million. As of March 31, 2020, we had an accumulated deficit of \$99.2 million. We expect to continue to incur significant expenses and operating losses for the foreseeable future, and our losses may fluctuate significantly from year to year. We anticipate that our expenses will increase significantly in connection with our ongoing activities, as we:

- continue clinical development of D-PLEX₁₀₀, including our ongoing and planned Phase 3 clinical trials for the prevention of SSIs in post-cardiac sternal surgeries and abdominal surgeries;
- file NDAs seeking regulatory approval for D-PLEX₁₀₀ pursuant to the FDA's Section 505(b)(2) regulatory pathway in the United States and the hybrid application pathway in the European Union;
- continue to invest in the preclinical research and development of any future product candidates;
- continue to invest in our manufacturing facility and complete commercial process validation for the facility;
- establish a commercial infrastructure to support the marketing, sale and distribution of D-PLEX₁₀₀ if it receives regulatory approval;
- hire additional research and development and general and administrative personnel to support our operations;
- maintain, expand and protect our intellectual property portfolio; and
- incur additional costs associated with operating as a public company following the completion of this offering.

We do not have any product candidates approved for sale and have not generated any revenue from product sales. To date, we have financed our operations primarily through private placements of equity securities and convertible debt, as well as grants from the Israel Innovation Authority, or IIA, and the European Commission's Seventh Framework Programme for Research, or FP7. From our inception through March 31, 2020, we have raised an aggregate of \$114.1 million from private placements of equity securities and convertible debt, including an aggregate of \$37.6 million of net proceeds from the issuance of our Series E-1 convertible preferred shares in 2019.

Components of Results of Operations

Revenue

To date, we have not generated any revenue from product sales and do not expect to generate any revenue from product sales for at least the next several years.

Research and Development, Net

Research and development, net consist primarily of costs incurred in connection with our research and development activities. This includes conducting clinical trials and preclinical studies, manufacturing development efforts and activities related to regulatory filings for product candidates, as well as overhead costs. Our research and development expenses primarily consist of:

- salaries and personnel-related costs, including benefits and share-based compensation expense, for our scientific personnel for executing clinical trials, preclinical studies, regulatory activities and for performing research and development activities;
- costs related to executing clinical trials and preclinical studies;
- costs related to acquiring, developing and manufacturing materials for such clinical trials and preclinical studies, including costs related to chemical, manufacturing and control, or CMC, activities;
- costs related to our manufacturing facility, including the production of development batches;
- costs of third-party suppliers;
- fees paid to consultants and other third parties who support the development of our product candidates;
- expenses related to regulatory activities, including consulting fees, filing fees paid to regulatory agencies and other costs incurred in seeking regulatory approval of our product candidates; and
- allocated facility-related costs and other related overhead costs.

Research and development expenses are expensed as incurred. We record accrued expenses for research and development activities conducted, on our behalf, by third-party service providers, which include the performance of clinical trials and the conduct of preclinical studies and contract manufacturing activities. We record these accrued expenses based upon research and development activities performed by such third-party service providers and reported to us, and we include these costs in accrued liabilities in the consolidated balance sheets and within research and development expense in the consolidated statements of operations.

We typically use our employee, consultant and infrastructure resources across our development programs. We track outsourced development costs by product candidate but we do not allocate personnel costs, other internal costs or external consultant costs to specific product candidates or preclinical programs.

From inception through March 31, 2020, we have incurred \$63.7 million in research and development expenses, net to advance the development of our clinical-stage product candidates, as well

as other preclinical research and development programs. As of March 31, 2020, we have received royalty-bearing grants of \$4.9 million in the aggregate from the IIA. Pursuant to the terms of the grants, we are required to pay royalties of 3.0% to the IIA on revenues from sales of products for which the research and development was funded, in whole or in part, by the IIA, up to a limit of 100% of the amount of the grant received, plus annual interest calculated at a rate based on 12-month LIBOR. In addition, we must abide by other restrictions associated with the receipt of such grants under the R&D Law that continues to apply following repayment to IIA. These restrictions may impair our ability to outsource manufacturing, engage in change of control transactions or otherwise transfer our knowledge outside of Israel and may require us to obtain IIA approval for certain actions and transactions and pay additional amounts to the IIA. In addition, any change of control and any change of ownership of our ordinary shares that would make a non-Israel citizen or resident an "interested party" as defined in the R&D Law requires prior written notice from the IIA. As of March 31, 2020, we have also received non-royalty bearing grants of \$0.3 million in the aggregate from the IIA and \$0.7 million in the aggregate from the FP7.

Substantially all of our research and development expenses for the years ended December 31, 2018 and 2019 and the three months ended March 31, 2019 and 2020 were related to the development of D-PLEX₁₀₀.

We expect our research and development expenses will increase for the foreseeable future as we seek to advance D-PLEX₁₀₀ through Phase 3 clinical trials, including the cost of manufacturing drug supply for these clinical trials, further our preclinical studies and other research and development programs. At this time, we cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the development of our product candidates. We are also unable to predict when, if ever, material net cash inflows will commence from sales of our product candidates. This is due to the numerous risks and uncertainties associated with developing such product candidates, including the uncertainty of:

- successful enrollment in and completion of clinical trials;
- establishing an appropriate safety profile;
- receipt of marketing approvals from applicable regulatory authorities;
- establishing commercial manufacturing capabilities or making arrangements with third-party manufacturers;
- commercializing the product candidates, if and when approved, whether alone or in collaboration with others;
- obtaining and maintaining patent and trade secret protection and regulatory exclusivity for our product candidates;
- continued acceptable safety profiles of products following approval; and
- retention of key research and development personnel.

Our expenses may also increase if we encounter further delays or setbacks in the enrollment or conduct of our clinical trials for D-PLEX₁₀₀ due to the COVID-19 pandemic.

A change in the outcome of any of these variables with respect to the development of any of our product candidates would significantly change the costs, timing and viability associated with the development of that product candidate.

General and Administrative

General and administrative expenses consist primarily of salaries and personnel-related expenses, including benefits and share-based compensation expense, for employees performing functions other

than research and development. This includes personnel in executive, finance, business development, marketing and administrative support functions. Other general and administrative expenses include professional fees for auditing, tax and legal services and other consulting fees, as well as facility-related costs not otherwise allocated to research and development.

We expect our general and administrative expenses will increase in the future to support continued research and development activities. We also anticipate that we will incur increased accounting, audit, legal, regulatory, compliance and director and officer insurance costs, as well as investor, public relations and compliance expenses, associated with operating as a public company. We expect increased expenses if any of our product candidates receives regulatory approval and we determine to build a commercial infrastructure to support commercial sales and marketing of our products.

Financial (Expense) Income, Net

Financial (expense) income, net consists of reevaluation of our preferred share warrant liability, as well as interest income on our short-term deposits and our foreign exchange gains and losses.

Results of Operations

Comparison of the Three Months Ended March 31, 2019 and 2020

The following table summarizes our results of operations for the three months ended March 31, 2019 and 2020:

	Three Months Ended	
	March 31,	
	2019	2020
	(unaudited)	
Research and development, net	\$ 3,477	\$ 3,433
General and administrative	720	1,003
Operating loss	4,197	4,436
Financial (income) expense, net	(2,967)	1,433
Net loss	<u>\$ 1,230</u>	<u>\$ 5,869</u>
Net loss attributable to ordinary shares	<u>\$ 2,536</u>	<u>\$ 7,821</u>

Research and Development, Net

Research and development, net decreased by \$44 thousand for the three months ended March 31, 2020 compared to the three months ended March 31, 2019. This decrease was primarily related to a decrease of \$0.25 million in costs related to our Phase 1b/2 clinical trial and Phase 2 clinical trial of D-PLEX₁₀₀. These decreases were offset by increases of \$0.1 million in personnel costs and \$0.1 million in costs related to regulatory expenses and other research and development projects.

General and Administrative

General and administrative increased by \$0.3 million for the three months ended March 31, 2020 compared to the three months ended March 31, 2019. This increase was primarily related to increases of \$0.1 million in personnel costs and \$0.2 million in legal, professional and other costs.

Financial (Expense) Income, Net

Financial (expense) income, net increased by \$4.4 million for the three months ended March 31, 2020 compared to the three months ended March 31, 2019. This increase was driven by the

reevaluation of our convertible preferred share warrant liability following the increase in fair value of the warrants.

Net Loss Attributable to Ordinary Shares

Net loss attributable to ordinary shares increased by \$5.3 million for the three months ended March 31, 2020 compared to the three months ended March 31, 2019. This increase was primarily related to the increase in financial income, net of \$4.4 million and the increase in general and administrative of \$0.3 million. This increase was partially offset by the decrease in research and development, net of \$44 thousand.

Comparison of the Years Ended December 31, 2018 and 2019

The following table summarizes our results of operations for the years ended December 31, 2018 and 2019:

	Year Ended December 31,	
	2018	2019
	(in thousands)	
Research and development, net	\$ 12,550	\$ 14,083
General and administrative	5,814	4,477
Operating loss	18,364	18,560
Financial income, net	(24,281)	(11,655)
Net loss (profit)	<u>\$ (5,917)</u>	<u>\$ 6,905</u>
Net loss (profit) attributable to ordinary shares	<u>\$ (89)</u>	<u>\$ 13,327</u>

Research and Development, Net

Research and development, net increased by \$1.5 million for the year ended December 31, 2019 compared to the year ended December 31, 2018. This increase was primarily related to additional costs of \$2.0 million attributable to our manufacturing facility, research costs of \$1.7 million related to our Phase 1b/2 clinical trial and Phase 2 clinical trial of D-PLEX₁₀₀ and a decrease in IIA grants of \$0.1 million. These increases were partially offset by decreases in CMC costs of \$1.9 million resulting from the establishment of the manufacturing facility, as well as a decrease of \$0.6 million in costs related to preclinical studies, regulatory expenses and other research and development projects.

General and Administrative

General and administrative decreased by \$1.3 million for the year ended December 31, 2019 compared to the year ended December 31, 2018. This decrease was primarily related to the \$1.3 million write-off of initial public offering expenses in 2018 and a decrease in legal and professional costs of \$0.5 million.

Financial Income, Net

Financial income, net decreased by \$12.6 million for the year ended December 31, 2019 compared to the year ended December 31, 2018. This decrease was driven by the reevaluation of our convertible preferred share warrant liability following the decrease in fair value of the warrants. This decrease was partially offset by income related to exchange rate differences of \$0.2 million in 2019, compared to losses of \$0.3 million in 2018.

Net Loss (Profit) Attributable to Ordinary Shares

Net loss attributable to ordinary shares for the year ended December 31, 2019 increased by \$13.4 million for the year ended December 31, 2019 compared to the year ended December 31, 2018. This increase was primarily related to the decrease in financial income, net of \$12.6 million and the increase in research and development, net of \$1.5 million. This increase was partially offset by the decrease in general and administrative of \$1.3 million.

Liquidity and Capital Resources*Sources of Liquidity*

Since our inception, we have not generated any revenue and have incurred operating losses and negative cash flows from our operations. We have funded our operations primarily through the sale of equity securities and convertible debt. From our inception through March 31, 2020, we have raised an aggregate of \$114.1 million from private placements of equity securities and convertible debt, including an aggregate of \$37.6 million of net proceeds from the issuance of our Series E-1 convertible preferred shares in 2019. As of March 31, 2020, we had \$21.4 million in cash, cash equivalents and short-term deposits.

We currently have no ongoing material financing commitments, such as lines of credit or guarantees that are expected to affect our liquidity over the next five years, other than our lease obligations.

In addition to the foregoing, based on our current assessment, we do not expect any material impact on our long-term liquidity due to the COVID-19 pandemic. However, we will continue to assess the effect of the pandemic to our operations. The extent to which the COVID-19 pandemic will impact our business and operations will depend on future developments that are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the COVID-19 pandemic, any restrictions on the ability of hospitals and trial sites to conduct trials that are not designed to address the COVID-19 pandemic, any further delays to enrollment of our Phase 3 trial of D-PLEX₁₀₀ for the prevention of sternal SSIs and the perceived effectiveness of actions taken in Israel, the United States and Europe and other countries to contain and treat the disease. While the potential economic impact brought by COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing our ability to access capital in the future. In addition, a recession or long-term market correction resulting from the spread of COVID-19 could materially affect our business and the value of our common stock.

Cash Flows

The following table provides information regarding our cash flows for the periods indicated:

	Year Ended December 31,		Three Months Ended March 31,	
	2018	2019	2019	2020
	(in thousands)			
Net cash used in operating activities	\$ (16,678)	\$ (17,358)	\$ (5,439)	\$ (4,691)
Net cash provided by (used in) investing activities	10,957	(23,564)	(223)	5,100
Net cash provided by (used in) financing activities	9,388	37,653	6,206	(100)
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ 3,667</u>	<u>\$ (3,269)</u>	<u>\$ 544</u>	<u>\$ 309</u>

Operating Activities

Net cash used in operating activities related primarily to our net losses adjusted for non-cash charges and measurements and changes in components of working capital. Adjustments to net loss for non-cash items mainly included depreciation, reevaluation of convertible preferred share warrants and share-based compensation.

Net cash used in operating activities was \$17.4 million for the year ended December 31, 2019, as compared to \$16.7 million for the year ended December 31, 2018. This increase was primarily related to increased research and development costs and associated general and administrative expenses, as we conducted clinical trials related to D-PLEX₁₀₀.

Net cash used in operating activities was \$4.7 million for the three months ended March 31, 2020, as compared to \$5.4 million for the three months ended March 31, 2019. This decrease was primarily related to decreases in research and development costs and associated general and administrative expenses.

Investing Activities

Net cash used in investing activities related primarily to the purchase of short-term deposits and the acquisition of laboratory equipment, office equipment and furniture and leasehold improvements.

Net cash used in investing activities was \$23.6 million for the year ended December 31, 2019, as compared to net cash provided by investing activities of \$11.0 million for the year ended December 31, 2018. This increase in net cash used in investing activities primarily related to the purchase of short-term deposits, partially offset by a decrease in the purchase of equipment.

Net cash provided by investing activities was \$5.1 million for the three months ended March 31, 2020, as compared to net cash used in investing activities of \$0.2 million for the three months ended March 31, 2019. This increase in net cash used in investing activities primarily related to the purchase of short-term deposits.

Financing Activities

Net cash provided by financing activities was \$37.7 million for the year ended December 31, 2019, as compared to \$9.4 million for the year ended December 31, 2018, each related to the issuance of our Series E-1 convertible preferred shares.

Net cash used in financing activities was \$0.1 million for the three months ended March 31, 2020, as compared to net cash provided by financing activities of \$6.2 million for the three months ended March 31, 2019 related to the issuance of our Series E-1 convertible preferred shares.

Funding Requirements

To date, we have not generated any revenues from the commercial sale of our product candidates, and we do not expect to generate revenue for at least the next several years. We expect our expenses to increase in connection with our ongoing activities, particularly as we continue and/or initiate Phase 3 clinical trials of, and seek marketing approval for, D-PLEX₁₀₀ and as we continue the research and development of our other existing and future product candidates. In addition, if we obtain marketing approval for D-PLEX₁₀₀ or any other product candidates, we expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution to the extent that such sales, marketing, manufacturing and distribution are not the responsibility of potential collaborators. Furthermore, following the completion of this offering, we expect to incur additional costs associated with operating as a public company. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations, including to resume enrollment in our Phase 3 trial of D-PLEX₁₀₀ for the prevention of sternal (bone) SSIs. If we are unable to raise capital

when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts.

We expect that our existing cash and cash equivalents and short-term deposits will enable us to fund our operating expenses and capital expenditure requirements through the second half of 2022. We anticipate that these funds, together with the net proceeds of this offering, will be sufficient to complete and report results from our first planned Phase 3 clinical trial of D-PLEX₁₀₀ for the prevention of SSIs after abdominal surgery, to initiate and complete enrollment of the second planned Phase 3 trial in that indication and, assuming positive results from the first trial, to prepare for the submission of an NDA to the FDA on a rolling basis for D-PLEX₁₀₀ for the prevention of SSIs after abdominal surgery. We anticipate that we will need to raise additional capital in order to complete the second Phase 3 trial of D-PLEX₁₀₀ for the prevention of SSIs after abdominal surgery and to submit the NDA for this indication, as well as to resume enrollment in our Phase 3 trial of D-PLEX₁₀₀ for the prevention of sternal SSIs. We anticipate that we will need to raise additional capital in order to commercialize D-PLEX₁₀₀, if approved, in any indication. Our future capital requirements will depend on many factors, including:

- the scope, progress, results and costs of our ongoing and planned Phase 3 clinical trials of D-PLEX₁₀₀;
- the costs, timing and outcome of regulatory review of D-PLEX₁₀₀ and any future product candidates;
- the costs and timing of establishing and validating manufacturing processes and facilities for development and commercialization of D-PLEX₁₀₀ and any future product candidates, if approved, including our manufacturing facility;
- the number and development requirements of any future product candidates that we may pursue;
- the costs and timing of future commercialization activities, including product manufacturing, marketing, sales and distribution, for any of our product candidates for which we receive marketing approval;
- the revenue, if any, received from commercial sales of our product candidates for which we receive marketing approval, which may be affected by market conditions, including obtaining coverage and adequate reimbursement of our product candidates from third-party payors, including government programs and managed care organizations, and competition;
- our ability to establish and maintain collaborations with biopharmaceutical companies on favorable terms, if at all;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims; and
- the extent to which we acquire or in-license other product candidates and technologies.

Identifying potential product candidates and conducting clinical trials and preclinical studies is a time-consuming, expensive and uncertain process that takes many years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve product sales. In addition, our product candidates, if approved, may not achieve commercial success. Our commercial revenues, if any, will be derived from sales of product candidates that we do not expect to be commercially available for several years, if at all. Accordingly, we will need to continue to rely on additional financing to achieve our business objectives. Adequate additional financing may not be available to us on acceptable terms, or at all.

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through a combination of equity offerings, debt financings, grants, collaborations, strategic

alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a shareholder. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise funds through collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations and commitments at December 31, 2019:

	<u>Less than 1 Year</u>	<u>1 to 3 Years</u>	<u>4 to 5 Years</u>	<u>More than 5 Years</u>	<u>Total</u>
			(in thousands)		
Operating lease obligations ⁽¹⁾	\$ 1,103	\$ 2,864	\$ 530	\$ 396	\$ 4,893

(1) Operating lease obligations consist of payments pursuant to lease agreements for our facility in Israel and motor vehicle leases.

The commitment amounts in the table above are associated with contracts that are enforceable and legally binding. The table does not include obligations under agreements that we can cancel without a significant penalty.

We enter into contracts in the normal course of business for clinical trials, preclinical studies, manufacturing and other services and products for operating purposes. These contracts generally provide for termination upon notice, and therefore we believe that our non-cancelable obligations under these agreements are not material.

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We do not engage in off-balance sheet financing arrangements. In addition, we do not engage in trading activities involving non-exchange traded contracts.

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with accepted accounting principles generally accepted in the United States. The preparation of our consolidated financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, costs and expenses. We base our estimates and assumptions on historical experience and other factors that we believe to be reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates. Our most critical accounting policies are summarized below. See note 2 to our consolidated financial statements beginning on page F-1 of this prospectus for a description of our other significant accounting policies.

Share-Based Compensation

We account for share-based compensation in accordance with ASC No. 718, "Compensation—Stock Compensation," which requires companies to estimate the fair value of equity-based payment awards on the date of grant using the option-pricing model, or OPM. We recognize compensation expenses for the value of our awards granted based on the straight-line attribution method over the requisite service period of each of the awards. We recognize forfeitures of awards as they occur.

We recognize compensation costs only for those shares expected to vest using the straight line method over the requisite service period of the award, which is generally the option vesting term of three years. We recognize forfeitures of awards as they occur.

Option Valuations

We selected the Black-Scholes-Merton model as the most appropriate fair value method for our option awards. The Black-Scholes-Merton model requires a number of assumptions, of which the most significant are the expected share price, volatility and the expected option term.

The fair value of ordinary shares underlying the options has historically been determined by our management and the board of directors with the assistance of an independent financial and economic consultant. As there has been no public market for our ordinary shares, our board of directors has determined fair value of an ordinary share at the time of grant of the option by considering a number of objective and subjective factors including data from other comparable companies, sales of convertible preferred shares to unrelated third parties, our operating and financial performance, the lack of liquidity of share capital and general and industry specific economic outlook, amongst other factors. The fair value of the underlying ordinary shares will be determined by our board of directors until such time as our ordinary shares are listed on an established share exchange or national market system. Our board of directors determined the fair value of ordinary shares based on independent valuations performed using the hybrid method, which takes into account the initial public offering and the non-initial public offering scenario method as of March 31, 2020.

Key Assumptions

The Black-Scholes-Merton option-pricing model requires the input of highly subjective assumptions, including the fair value of the underlying ordinary shares, the expected volatility of the price of our ordinary shares, the expected term of the option, risk-free interest rates and the expected dividend yield of our ordinary shares. These estimates involve inherent uncertainties and the application of the management's judgment. If such inputs change and different assumptions are used, our share-based compensation expenses could be materially different in the future. These assumptions are estimated as follows:

- *Fair value of our ordinary shares.* Since our shares have not been publicly traded prior to this offering, we estimated the fair value of our ordinary shares. Upon the completion of this offering, our ordinary shares will be valued by reference to the publicly-traded price of our ordinary shares.
- *Volatility.* The expected share price volatility was based on the historical volatility of the ordinary shares of comparable companies that are publicly traded.
- *Expected term.* The expected term represents the period that our share-based awards are expected to be outstanding. As to the share-option awards granted to employees, the expected term is calculated using the average between the vesting period and the contractual term to the expected term of the options in effect at the time of grant. For option awards granted to non-employees, the expected term is equal to the remaining contractual life of the option, which is generally 10 years from the grant date.

- *Risk-free rate.* The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the options in each option group.
- *Expected dividend yield.* We have never declared or paid cash dividends and we do not have plans to pay cash dividends in the foreseeable future. Consequently, we used an expected dividend yield of zero.

If any of the assumptions used in the Black-Scholes-Merton model change significantly, the share-based compensation expenses in future awards may differ materially as compared with the current awards granted.

The following table presents the assumptions used to estimate the fair value of options granted to employees, non-employee directors and service providers during the periods presented:

	Year Ended December 31,		Three Months Ended March 31, 2020
	2018	2019	
Expected term (in years)	6–7	6–7	5–6
Expected volatility	91.44%–96.87%	69.8%–76.14%	74.5%
Risk-free rate	3.43%–3.90%	2.26%–3.13%	1.35%–1.38%
Dividend yield	0.0%	0.0%	0.0%

We incurred non-cash share-based compensation expense of \$1.0 million during the years ended December 31, 2019 and 2018 and \$0.2 million during the three months ended March 31, 2020. We expect to continue to grant share option awards in the future, and to the extent that we do, our actual share-based compensation expenses recognized are likely to increase.

Determination of the Fair Value of Stock-Based Compensation Grants

The following table summarizes by grant date the number of ordinary shares subject to share option awards granted between January 1, 2018 and March 31, 2020, as well as the associated per-ordinary share exercise price of the award, the estimated fair value per ordinary share on the grant date and the aggregate grant date fair value:

Option Grant Date	Number of Ordinary Shares Underlying Options Granted	Estimated Fair Value Per Ordinary Share at Grant Date	Exercise Price Per Ordinary Share	Aggregate Grant Date Fair Value ⁽¹⁾⁽²⁾
January 30, 2018	5,975	\$ 8.65	\$ 8.65	\$ 71
September 4, 2018	1,195	\$ 8.42	\$ 8.42	\$ 8
October 16, 2018	6,394	\$ 8.65	\$ 8.42	\$ 44
December 3, 2018	3,585	\$ 8.65	\$ 8.65	\$ 23
December 18, 2018	3,585	\$ 8.65	\$ 8.65	\$ 23
February 3, 2019	2,390	\$ 8.02	\$ 8.65	\$ 13
March 19, 2019	26,529	\$ 8.02	\$ 8.02	\$ 145
May 23, 2019	50,190	\$ 8.22	\$ 8.02	\$ 229
August 7, 2019	71,700	\$ 6.77	\$ 8.02–8.65	\$ 308
February 6, 2020	59,209	\$ 6.80	\$ 6.80	\$ 256

(1) Aggregate grant date fair value was determined using the Black-Scholes-Merton option pricing model.

(2) In thousands

Based upon the assumed initial public offering price of \$16.00 per ordinary share, the midpoint of the range set forth on the cover page of this prospectus, the intrinsic value of the awards outstanding

as of March 31, 2020 was \$19.1 million, of which \$15.1 million related to vested options and \$3.9 million related to unvested options.

Valuation of Our Ordinary Shares

The fair value of the ordinary shares underlying our option awards was determined by our board of directors, with input from management. We believe that our board of directors has the relevant experience and expertise to determine the fair value of our ordinary share as of each respective grant date. The valuations of our ordinary shares were determined in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*, or the AICPA Practice Aid. The assumptions used in the valuation model are based on future expectations combined with management judgment. Our board of directors, with input from management, exercised significant judgment and considered numerous objective and subjective factors to determine the fair value of our ordinary shares as of the date of each option grant, including the following factors:

- independent valuations performed at periodic intervals by independent third-party valuation specialist;
- our current business projections;
- our stage of development;
- the prices, rights, preferences and privileges of our convertible preferred shares;
- current business conditions;
- the likelihood of a liquidity event for the ordinary shares underlying these options, such as an initial public offering or sale of our company, given prevailing market conditions;
- any adjustments necessary due to the lack of marketability of our ordinary shares;
- the purchase of our preferred shares by third party investors in arms-length transactions; and
- the market performance of comparable publicly traded companies.

In the event of a qualified initial public offering, our preferred shares would convert into ordinary shares on a one-to-one basis, and accordingly would receive the same amount of proceeds per share as ordinary shares. In the case of a sale or liquidation of our company, the preferred shares would receive their liquidation preferences and thereafter a fraction in the remaining proceeds with the ordinary shares on a pro-rata basis. Accordingly, we determined the fair value of our ordinary shares under two scenarios and then applied a weighted average of these values based on their relative probabilities in order to calculate the final per share value.

For each of the three months ended March 31, 2020 and the year ended December 31, 2019

First, we determined value in an exit scenario due to a liquidity event, such as an initial public offering using the market approach and based on discussions with investment banks. In this scenario, all preferred shares, warrants to purchase preferred shares and options to purchase our ordinary shares convert into, or are deemed to be exercised for, ordinary shares. The firm value is divided by the resulting number of shares to determine a per share value.

Second, the equity value was determined based on, among other things, financing transactions with third parties.

We then allocated the value between all elements of our securities (preferred shares, ordinary shares, warrants for preferred shares and options for ordinary shares) using the OPM, on the assumption that our preferred shares will benefit from their liquidation preference.

Under the OPM, preferred and ordinary shares are treated as a series of call options, with the preferred shares having an exercise price based on the liquidation preference of the respective preferred share. The OPM operates through a series of Black-Scholes-Merton option pricing models, with the exercise prices of the options representing the upper and lower bounds of the proceed ranges that a security holder would receive upon a liquidity event. The strike prices occur at break points where the allocation of firm value changes among the various security holders. The ordinary shares are presumed to have value only if funds available for distribution to shareholders exceed the value of the respective liquidation preferences at the time of a liquidity event. The OPM requires an enterprise level input of firm value or a transaction level input of specific security value (typically, a recently issued convertible preferred security) to anchor the allocation of firm value among the various classes of securities.

In making the final determination, we also applied a discount for lack of marketability right, as applicable, to our ordinary shares.

For the year ended December 31, 2018

First, we determined value in an exit scenario due to a liquidity event, such as an initial public offering using the market approach and based on discussions with investment banks. In this scenario, all preferred shares, warrants to purchase preferred shares and options to purchase our ordinary shares convert into, or are deemed to be exercised for, ordinary shares. The firm value is divided by the resulting number of shares to determine a per share value.

Second, we determined value using the Probability Weighted Excepted Return Method, or PWERM. The PWERM is a scenario-based methodology that estimates the fair value of our ordinary shares based upon an analysis of future values for our company, assuming various outcomes. The ordinary share value is based on the probability-weighted present value of expected future investment returns considering each of the possible outcomes available, as well as the rights of each class of our outstanding capital stock. The weighted average enterprise value is then calculated by applying the unleveraged discounted cash flow approach. We believe that this is the most appropriate valuation method as it theoretically captures various future possible outcomes, including an initial public offering.

We then allocated the value between all elements of our securities (preferred shares, ordinary shares, warrants for preferred shares and options for ordinary shares) using the OPM, on the assumption that our preferred shares will benefit from their liquidation preference.

Under the OPM, preferred and ordinary shares are treated as a series of call options, with the preferred shares having an exercise price based on the liquidation preference of the respective preferred share. The OPM operates through a series of Black-Scholes-Merton option pricing models, with the exercise prices of the options representing the upper and lower bounds of the proceed ranges that a security holder would receive upon a liquidity event. The strike prices occur at break points where the allocation of firm value changes among the various security holders. The ordinary shares are presumed to have value only if funds available for distribution to shareholders exceed the value of the respective liquidation preferences at the time of a liquidity event. The OPM requires an enterprise level input of firm value or a transaction level input of specific security value (typically, a recently issued convertible preferred security) to anchor the allocation of firm value among the various classes of securities.

In making the final determination, we also applied a discount for lack of marketability right, as applicable, to our ordinary shares.

Following the completion of our initial public offering and the listing of our ordinary shares on The Nasdaq Global Market, the determination of the fair market value of our ordinary shares for purposes of setting the exercise price of future option awards or other share-based compensation to employees and other grantees will be based on the market price of our ordinary shares and will no

longer require good faith estimates by our board of directors based on various comparisons or benchmarks.

Accounting Treatment of the Convertible Preferred Shares

We classify convertible preferred shares that are redeemable under certain circumstances outside of our control as mezzanine equity on the balance sheet. They are not included as a component of shareholders' equity (deficiency). The carrying value of the preferred shares is equal to cost. We did not adjust the carrying value to redemption value since it is not probable that the preferred shares will be redeemed.

Warrants to Purchase Convertible Preferred Shares

Warrants to purchase our convertible preferred shares are classified as a liability on the balance sheet, and measured at fair value, as the underlying shares are contingently redeemable (upon a deemed liquidation event) and, therefore, may obligate us to transfer assets at some point in the future. The warrants are subject to re-measurement to fair value at each balance sheet date and any change in fair value is recognized as a component of financial income, net, in the statement of operations.

Our board of directors calculates the fair value of the warrants on the issuance date and on subsequent reporting dates, considering among other things, a third-party valuation. We first calculated the underlying preferred share value by using the income approach and the market approach. Then the equity value was allocated by using the hybrid model method utilizing OPM and initial public offering discount. Once the preferred shares value was derived from the two scenarios, the Black-Scholes-Merton model was utilized to calculate the warrants value in each one of the scenarios. 50% probability for each one of the scenarios was applied to derive the weighted average fair value of the warrants. In making the final determination, we also applied a discount for lack of marketability right, as applicable, to our ordinary shares.

Grants and Participation

Royalty-bearing grants from the IIA for funding approved research and development projects are recognized at the time we are entitled to such grants, on the basis of the costs incurred, and are presented as a deduction from research and development expenses. Since the payment of royalties is not probable when the grants are received, we do not record a liability for amounts received from the IIA until the related revenues are recognized. Non-royalty-bearing grants from the IIA MAGNET program and from FP7 for funding approved research and development projects are recognized at the time we are entitled to such grants, on the basis of the costs incurred, and are presented as a deduction from research and development expenses. In the event of failure of a project that was partly financed by the IIA, we would not be obligated to pay any royalties or repay the amounts received.

As of March 31, 2020, we have received royalty-bearing grants totaling \$4.9 million. Pursuant to the terms of the grants, we are required to pay royalties to the IIA of 3.0% on revenues from sales of products developed financed in whole or in part by IIA, up to a limit of 100% of the grants received, plus annual interest calculated on the 12-month LIBOR rate as published on the first business day of each calendar year.

In addition, we must abide by other restrictions associated with the receipt of such grants under the R&D Law that continue to apply following repayment to the IIA. These restrictions may impair our ability to outsource manufacturing or otherwise transfer our knowledge outside of Israel, or engage in change of control transactions, and may require us to obtain IIA approval for certain actions and transactions and pay additional amounts to the IIA. In addition, any change of control and any change of ownership of our ordinary shares that would make a non-Israel citizen or resident an "interested party" as defined in the R&D Law requires prior written notice from the IIA.

Recent Accounting Pronouncements

See note 2 to our consolidated financial statements beginning on page F-1 of this prospectus for a description of recent accounting pronouncements applicable to our consolidated financial statements.

Qualitative and Quantitative Disclosures about Market Risk

Foreign Currency Exchange Risk

We operate primarily in Israel, and approximately 75% of our expenses are denominated in New Israeli Shekels, or NIS. We are therefore exposed to market risk, which represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. We are subject to fluctuations in foreign currency rates in connection with these arrangements. Changes of 5% and 10% in the U.S. dollar/NIS exchange rate would have increased/decreased operating expenses by approximately 4% and 8%, respectively, during the three months ended March 31, 2020.

We currently partially hedge our foreign currency exchange rate risk to decrease the risk of financial exposure from fluctuations in the exchange rates of our principal operating currencies. These measures, however, may not adequately protect us from the material adverse effects of such fluctuations.

Interest Rate Risk

We do not anticipate undertaking any significant long-term borrowings. At present, our investments consist primarily of cash and cash equivalents and short-term deposits. We may invest in investment-grade marketable securities with maturities of up to three years, including commercial paper, money market funds, and government/non-government debt securities. The primary objective of our investment activities is to preserve principal while maximizing the income that we receive from our investments without significantly increasing risk and loss. Our investments may be exposed to market risk due to fluctuation in interest rates, which may affect our interest income and the fair market value of our investments, if any.

Inflation-Related Risks

Inflation generally affects us by increasing our NIS-denominated expenses, including salaries and benefits, as well as facility rental costs and payment to local suppliers. We do not believe that inflation had a material effect on our business, financial condition or results of operations during the years ended December 31, 2018 and 2019 or the three months ended March 31, 2020.

JOBS Act Transition Period

Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the extended transition period to comply with new or revised accounting standards and to adopt certain of the reduced disclosure requirements available to emerging growth companies. As a result of the accounting standards election, we will not be subject to the same implementation timing for new or revised accounting standards as other public companies that are not emerging growth companies which may make comparison of our financials to those of other public companies more difficult.

We are in the process of evaluating the benefits of relying on other exemptions and reduced reporting requirements under the JOBS Act. Subject to certain conditions, as an emerging growth company, we may rely on certain of these exemptions, including without limitation, (i) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to

Section 404(b) of the Sarbanes-Oxley Act and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an emerging growth company until the earlier to occur of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of this offering, (b) in which we have total annual gross revenues of at least \$1.07 billion or (c) in which we are deemed to be a "large accelerated filer" under the rules of the U.S. Securities and Exchange Commission, which means the market value of our ordinary shares that is held by non-affiliates exceeds \$700.0 million as of the prior June 30th, and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.

BUSINESS

Overview

We are a Phase 3 clinical-stage biopharmaceutical company focused on developing targeted, locally administered and prolonged-release therapeutics using our proprietary Polymer-Lipid Encapsulation matrix, or PLEX, technology. Our product candidates are designed to address diseases with high unmet medical needs by pairing our PLEX technology with drugs already approved by the U.S. Food and Drug Administration, or FDA. Our PLEX technology is designed to deliver drugs directly to precise sites in the body at predetermined release rates and over durations ranging from several days to several months. We believe that our PLEX technology and product candidates have the potential to cause a major shift in the management of a wide variety of localized medical conditions, including surgical site infections, or SSIs, cancer, inflammation and pain. Our lead product candidate, D-PLEX₁₀₀, is in a potentially pivotal Phase 3 clinical trial for the prevention of sternal (bone) SSIs. We also plan to initiate the first of two potentially pivotal Phase 3 trials of D-PLEX₁₀₀ for the prevention of abdominal (soft tissue) SSIs in the third quarter of 2020. We expect to report topline results from this trial at the end of 2021 and to initiate the second Phase 3 trial approximately six months after the initiation of the first trial. The World Health Organization, or WHO, estimates that SSIs result in up to \$10 billion of additional hospital costs per year in the United States alone, and a further €11 billion per year in the European Union. We believe D-PLEX₁₀₀, if approved, would be a significant improvement over the current standard of care, which includes systemic administration of drugs.

We believe our PLEX technology has the potential to address many of the limitations of the current standard of care of systemic administration of drugs, resulting in significantly improved patient outcomes and lower overall cost of treatment by enabling targeted and local delivery of medications at predetermined and customizable release rates and duration. The systemic administration of drugs can have significant potential disadvantages for the treatment of localized medical conditions in the body, including limited efficacy due to poor local drug concentration, which often requires the use of a considerably higher quantity of drugs over a prolonged period of time and can result in substantial side effects.

D-PLEX pairs our novel, proprietary PLEX technology with doxycycline, a first-line, broad spectrum and FDA-approved antibiotic. In our clinical trials to date, patients treated with D-PLEX demonstrated a reduction in SSIs compared to patients treated with the standard of care alone. Our lead product candidate, D-PLEX₁₀₀, is currently in a potentially pivotal Phase 3 clinical trial for the prevention of SSIs in sternal (bone) surgeries, and we plan to initiate the first of two potentially pivotal Phase 3 trials of D-PLEX₁₀₀ for the prevention of abdominal (soft tissue) SSIs in the third quarter of 2020. We expect to report topline results from the first trial at the end of 2021. Infections resulting from surgery can be fatal and create a significant public health burden despite the extensive use of systemically administered antibiotics both pre- and post-operatively and other measures taken to reduce infection risk in the intra-operative setting. SSIs occur in approximately 2% to 5% of all patients undergoing inpatient surgery worldwide. The WHO and the Centers for Disease Control and Prevention, or CDC, have recently labeled SSIs as a high priority unmet medical need due to the associated morbidity, mortality and economic cost burden.

In October 2019, we reported topline data from our Phase 2 clinical trial of D-PLEX₁₀₀ for the prevention of SSIs in patients undergoing abdominal surgery. Patients treated with D-PLEX₁₀₀ and the standard of care had a statistically significant reduction of 59% ($p=0.0086$) in deep or superficial incisional SSIs or mortality for any reason within 30 days of surgery, which was the primary endpoint for the trial, as compared to patients who received the standard of care alone. In addition, there was a statistically significant difference ($p=0.0290$) in patient deaths within 60 days of surgery, with no deaths observed in the D-PLEX₁₀₀ treatment arm, as compared to five deaths observed in the standard-of-care

arm. In this trial, D-PLEX₁₀₀ was observed to be generally well tolerated, with no confirmed drug-related serious adverse events, or SAEs, and did not increase wound healing impairment at the incision site as compared to the control arm.

In January 2018, we reported data from our Phase 1b/2 clinical trial of D-PLEX₁₀₀ for the prevention of sternal SSIs after cardiac surgery. None of the 58 patients treated with D-PLEX₁₀₀ and the standard of care had a sternal infection within 90 days post-surgery, which was the primary endpoint of the trial, as compared to one patient in the group treated with the standard of care alone, representing a 4.3% infection rate. In this trial, D-PLEX₁₀₀ was observed to be generally well tolerated, with no drug-related SAEs and no drug-related wound healing issues at the incision site.

In December 2019, we initiated a potentially pivotal Phase 3 clinical trial of D-PLEX₁₀₀ for the prevention of sternal (bone) SSIs, and we enrolled the first patient in February 2020. We expect to enroll between 1,284 and 1,600 cardiac surgery patients in the trial. We have paused enrollment in this trial due to the COVID-19 pandemic, but we have informed investigators that they should continue monitoring current patients per the trial protocol. Pending the availability of additional funding following this offering, we expect to resume enrollment when we believe it is safe to do so and anticipate conducting an interim analysis after a total of 850 patients have been assessed for the presence of at least one sternal wound infection or mortality for any reason within 90 days post-surgery. In February 2020, we held an end of Phase 2 meeting with the FDA to discuss our proposed potentially pivotal Phase 3 clinical trials of D-PLEX₁₀₀ for the prevention of abdominal (soft tissue) SSIs. We plan to initiate the first Phase 3 trial in this indication in the third quarter of 2020 and the second Phase 3 trial approximately six months after the initiation of the first trial. We expect to report topline results from the first trial at the end of 2021. We intend to pursue a broad label for D-PLEX₁₀₀ for the prevention of SSIs, the scope of which will depend on the clinical data generated from our Phase 3 clinical trials and discussions with the FDA and the European Medicines Agency, or the EMA.

We intend to seek approval of D-PLEX₁₀₀ under Section 505(b)(2) of the Federal Food, Drug and Cosmetic Act, or FDCA, which provides an abbreviated pathway for marketing approval by the FDA in the United States, and will seek approval under the comparable hybrid application pathway in the European Union. Such abbreviated approval pathways may not lead to a faster development or review process compared to traditional approval pathways and do not increase the likelihood that D-PLEX₁₀₀ will receive regulatory approval in the United States or the European Union. We also received two Qualified Infectious Disease Product, or QIDP, designations from the FDA for D-PLEX₁₀₀ for the prevention of post-abdominal surgery incisional infection and for the prevention of sternal wound infection post-cardiac surgery. The QIDP designation from the FDA confers, among other benefits, a five-year extension to any period of non-patent exclusivity awarded upon approval, such as a three-year period of exclusivity for new clinical investigations of previously approved products, which we expect for D-PLEX₁₀₀, if approved. Additionally, in November 2018 we received Fast Track Designation from the FDA for D-PLEX₁₀₀ for topical use for the prevention of sternal infections post-cardiac surgery, which could potentially expedite the FDA's review of D-PLEX₁₀₀ and enables early and frequent communication with the FDA as we continue to generate data from our ongoing and planned clinical trials.

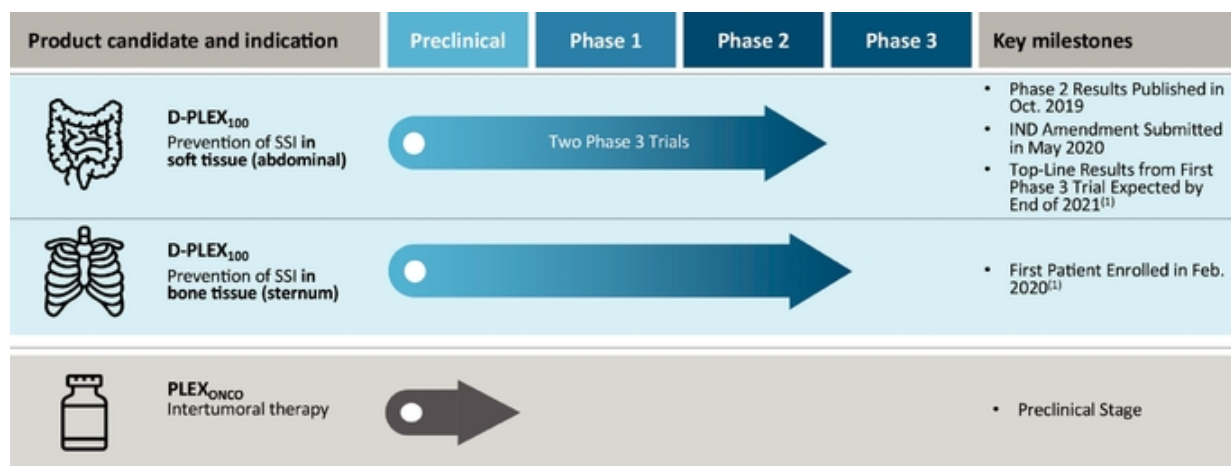
Our PLEX technology consists of a proprietary matrix of several thousand layers of chemically inactive and biocompatible polymers and lipids that physically embed the drug within the layers. A drug stored within the PLEX layers is released over time in a controlled manner and in customizable, predetermined amounts at the local site where it is administered. PLEX technology is designed to protect the embedded medication from the natural enzymes and other biochemicals in the body that would otherwise degrade or alter the drug. Over time, natural hydration in the body disintegrates the layers of PLEX, from the outer layer to the inner layers, which triggers a release of the medicine in an unmodified, active form. We believe that these characteristics may enable our PLEX product

candidates to be efficacious using only a small fraction of the medicines required in systemic administration.

We believe our PLEX platform technology may have broad therapeutic application for other localized medical conditions. Because our PLEX technology is designed to be agnostic to the nature and size of the underlying drug, we believe it has the potential to be paired with a wide variety of currently marketed drugs or product candidates in development, including small molecules, peptides, antibodies and other proteins, as well as nucleic acid-based APIs, to create novel therapies in a broad range of locally delivered applications. We are pursuing research and development programs for our PLEX platform in a variety of other potential indications where we have identified a targeted active pharmaceutical ingredient, or API, for use with our PLEX technology, including for the treatment of cancer, inflammation and pain. We are currently evaluating PLEX_{ONCO} in preclinical studies as an intratumoral therapy for the treatment of cancer. We will consider licensing rights to our PLEX technology for use with various biologics and small molecules.

As of May 31, 2020, we have 79 issued patents, including utility and composition of matter patents, and four allowed patent applications. Additionally, we have 32 pending patent applications in the United States, the European Patent Office, Canada, Australia, China, Japan, Israel, Brazil, the Eurasian Patent Organization, India, Mexico, New Zealand, the Philippines, Singapore, South Korea and Thailand. Our issued patents expire between 2029 and 2035.

Our Pipeline



- (1) In December 2019, we initiated a potentially pivotal Phase 3 clinical trial of D-PLEX₁₀₀ for the prevention of sternal SSIs after cardiac surgery and we plan to initiate the first Phase 3 trial of D-PLEX₁₀₀ for the prevention of abdominal (soft tissue) SSIs in the third quarter of 2020 and the second Phase 3 trial approximately six months after the initiation of the first trial. We intend to pursue a broad label for D-PLEX₁₀₀ for the prevention of SSIs, the scope of which will depend on the clinical data generated from our potentially pivotal Phase 3 clinical trials and discussions with the FDA and the EMA.

COVID-19 Pandemic

Our business has been and will likely continue to be adversely affected by the effects of the recent and evolving COVID-19 pandemic, which has resulted in travel and other restrictions in order to reduce the spread of the disease, including in Israel, the United States and the European Union where we are conducting or planning clinical trials. We have paused enrollment of our Phase 3 trial of D-PLEX₁₀₀ for the prevention of sternal SSIs due to the COVID-19 pandemic, but we have informed investigators that they should continue monitoring current patients per the trial protocol. Pending the availability of additional funding following this offering, we expect to resume enrollment when we believe it is safe to do so and anticipate conducting an interim analysis after a total of 850 patients have been assessed for the presence of at least one sternal wound infection or mortality for any reason within 90 days post-surgery. We remain in close contact with our principal investigators and clinical sites in order to assess the impact of the COVID-19 pandemic on our clinical trials, expected timelines and costs and to consider any appropriate mitigating measures. Further, future patient enrollment, when we deem it appropriate, and clinical site initiation may be further delayed due to prioritization of hospital resources toward the COVID-19 pandemic or challenges in patient enrollment or maintenance due to quarantines or other interruptions to healthcare services. At this time we cannot fully forecast the scope of impacts that the COVID-19 pandemic may have on our ability to initiate trial sites, enroll and assess patients, supply study drug and report trial results for this trial or our planned trials of D-PLEX₁₀₀. See "Risk Factors—Risks Related to Our Business Operations—Our business and operations are likely to be adversely affected by the evolving and ongoing COVID-19 global pandemic."

State-of-the-Art Manufacturing Facility

In October 2018, we completed the construction of an approximately 10,500 square foot, state-of-the-art, sterile manufacturing facility in Israel to enhance supply chain control, increase our supply capacity and meet clinical demand for our ongoing and planned clinical trials of D-PLEX₁₀₀, as well as for initial commercial demand if D-PLEX₁₀₀ is approved. The facility is designed to comply with the FDA's current good manufacturing practice, or cGMP, regulations, and EMA regulations. In 2019, the facility was cGMP certified by Israel's Ministry of Health, or IMOH, and inspected by an EU-qualified person, enabling cGMP manufacturing of D-PLEX₁₀₀ for our ongoing and planned potentially pivotal Phase 3 clinical trials to be conducted in the United States and Europe.

Our Strategy

Our goal is to leverage our PLEX technology to develop and commercialize a pipeline of potentially transformative therapies for the local and prolonged delivery of drugs to address diseases with high unmet medical needs. The key elements of our strategy are as follows:

- **Successfully complete clinical development of D-PLEX₁₀₀ for the prevention of SSIs.** We have completed a Phase 2 clinical trial of D-PLEX₁₀₀ for the prevention of abdominal (soft tissue) SSIs after abdominal surgery and a Phase 1b/2 clinical trial of D-PLEX₁₀₀ for the prevention of sternal (bone) SSIs after cardiac surgery. In February 2020, we enrolled our first patient in our potentially pivotal Phase 3 clinical trial for the prevention of SSIs in cardiac surgeries. We have paused enrollment in this trial due to the COVID-19 pandemic, but we have informed investigators that they should continue monitoring current patients per the trial protocol. In February 2020, we held an end of Phase 2 meeting with the FDA to discuss our proposed potentially pivotal Phase 3 clinical trials of D-PLEX₁₀₀ for the prevention of abdominal (soft tissue) SSIs. Based on the feedback we received from the FDA, we plan to initiate the first Phase 3 trial in this indication in the third quarter of 2020 and the second Phase 3 trial approximately six months after the initiation of the first trial. We intend to pursue a broad label for D-PLEX₁₀₀ for the prevention of SSIs, the scope of which will depend on the clinical data generated from our potentially pivotal Phase 3 clinical trials and discussions with the FDA and

the EMA. We may also seek regulatory approval of D-PLEX₁₀₀ outside of the United States and Europe.

- ***Pursue expedited regulatory pathways for our product candidates.*** We are pursuing expedited pathways to approval for our portfolio of product candidates. PLEX is paired with unmodified FDA- and/or EMA-approved drugs with established clinical safety, efficacy and tolerability. Additionally, the polymers and lipids that we use in PLEX have been used in other medical products that have been approved by the FDA and/or the EMA. Accordingly, we will pursue expedited clinical development and make regulatory submissions for our product candidates, including D-PLEX₁₀₀, that allow us to rely in part on previous findings of safety and efficacy for the API, including the Section 505(b)(2) approval pathway in the United States and the comparable hybrid application pathway in the European Union. Further, D-PLEX₁₀₀ has received two QIDP designations from the FDA for the prevention of post-abdominal surgery incisional infection and sternal wound infection post-cardiac surgery, which will provide an increased level of communication with the FDA during the development process. We also received the FDA's Fast Track Designation for D-PLEX₁₀₀ for topical use for the prevention of post-cardiac surgery sternal infections in November 2018, which could potentially expedite the FDA's review of our New Drug Application, or NDA.
- ***Execute on our go-to-market commercial strategy.*** If approved, we intend to launch D-PLEX₁₀₀, and other future product candidates, in the United States using a direct salesforce targeting our primary market of hospitals where major surgeries are undertaken. We are also exploring potential partnering opportunities with leading pharmaceutical companies to maximize our commercial success and launch of any approved products in the United States. We may elect to also partner in parallel in the United States in order to maximize our commercial success and launch of any approved products. We believe that the cost-effectiveness and potential clinical benefits of D-PLEX₁₀₀ will support its commercial launch under existing Medicare rates given the associated mortality, morbidity and cost burden of SSIs and the associated penalties imposed on hospital reimbursement from the Centers for Medicare & Medicaid Services, or CMS. In addition, we believe that there may be opportunities for reimbursement for D-PLEX₁₀₀ under CMS programs. Outside of the United States, we intend to find a suitable partner or partners to launch our products in markets where respective commercial coverage is better served through such a partnership.
- ***Expand our product pipeline for additional indications using our PLEX technology.*** In addition to the development of D-PLEX₁₀₀ for the prevention of SSIs, we intend to evaluate PLEX for the prevention or treatment of other important, localized medical conditions. We are currently evaluating PLEX for the treatment of cancer in preclinical studies, and we are pursuing research and development programs for PLEX for the treatment of inflammation and pain. We intend to maximize the commercial potential of PLEX by exploring these additional indications, either independently or through collaborations with other biopharmaceutical companies.
- ***Pursue research collaborations with biopharmaceutical companies.*** We believe that our PLEX technology can be paired with a wide variety of marketed drugs or product candidates, including small molecules, peptides, antibodies and nucleic acid-based drugs. Many leading biopharmaceutical companies have marketed drugs or product candidates in development that have limited efficacy or safety due to systemic delivery and owing to potentially poor drug penetration from the blood stream into the needed organ or other target tissues, or viability for systemic administration due to instability, toxicity and cost. Pairing these drugs or product candidates with PLEX has the potential to address these limitations and potentially extend the drug's clinical benefit and lifecycle before and after patent expiration. We intend to engage in discussions with leading biopharmaceutical companies regarding licensing our PLEX technology for potential application in various therapeutic areas, including oncology.

- **Build a fully integrated biopharmaceutical company utilizing our manufacturing facility.** Our state-of-the-art, sterile manufacturing facility is cGMP certified by the IMOH and inspected by an EU-qualified person, enabling cGMP manufacturing of D-PLEX₁₀₀ for our ongoing and planned potentially pivotal Phase 3 clinical trials to be conducted in the United States and Europe. Our manufacturing facility will serve to enhance supply chain control, increase our supply capacity and meet clinical demand for our ongoing and planned clinical trials of D-PLEX₁₀₀. We estimate that our facility will meet commercial demand for at least the first 30 months following a commercial launch of D-PLEX₁₀₀, if approved. We intend to use this capacity as the basis to build a fully integrated biopharmaceutical company, supported by our in-house research and development team and our anticipated commercial infrastructure. If necessary to meet further commercial demand in the future, we may expand our manufacturing capabilities or employ third-party contract manufacturing organizations.

The Problem: Limitations to Current Drug Delivery Systems

The systemic administration of drugs may have significant disadvantages for the treatment of localized medical conditions in the body, including limited efficacy due to poor penetration from the blood stream into the needed organ or other target tissues and challenges related to sensitivity to blood factors. This limited efficacy often results in the need to use a significantly higher quantity of drugs over a prolonged period of time, which can result in substantial side effects. Additionally, systemic administration can be associated with complexities of drug-drug interactions in the context of polypharmacy for patients with comorbid conditions. In the case of antibiotics, systemic administration results in challenges related to the emergence of antibiotic resistance.

Localized delivery of medications for site-specific conditions may have significant advantages over systemic administration because it has the potential to increase the efficacy and clinical benefit of the treatment. Localized delivery may also reduce the risk of overall toxicity and adverse side effects, improve patient compliance and enable a much lower amount of medicine to be used in treatment. In order to address the limitations of systemic administration to treat localized medical conditions, an effective localized drug delivery system must be able to selectively deliver the needed medication to the specific target site, ensure the appropriate concentration needed and release the active medication in a controlled, consistent method over the entire desired treatment period.

Existing localized treatments, including extended release formulations based on polymer-only or lipid-only technologies, such as liposomal-based technologies, frequently suffer from one or more of the following limitations:

- **Short release periods.** An effective regimen to treat serious localized medical conditions, including infections, often needs to span weeks. For example, in the case of post-operative wound management, bacteria have the potential to proliferate in the wound, where blood supply is restricted. Most local delivery systems are able to generate sustained, local concentrations that are effective for only up to several days; however, the post-operative recovery phase may span for a longer period of time.
- **Lack of controlled drug release rates.** For a localized delivery system to be effective, it must deliver a non-toxic but adequate and constant dosage of the API to the target site throughout the release period. Current systems, often based only on polymers or only on lipids, have limited ability to control drug release rates. As a result, these systems often release the drug with an initial high burst manner, followed by a rapid decline in the release rate, ultimately generating low local drug concentration. This drug release profile is both less effective than a steadier more controlled delivery approach and may cause safety issues.
- **Active drug degradation.** Drugs often need to be isolated from body fluids to prevent rapid degradation and chemical changes to the underlying drug. In order to effectively administer such

drugs locally over prolonged periods, the implanted drug reservoir needs to be protected until released, ideally in a non-hydrating form. We are not aware of any biodegradable, localized drug delivery systems in the market that can protect drugs from hydration inside the body over prolonged periods and subsequently release them unaltered in their active forms.

- **Susceptibility to drug migration.** Locally administered drugs reservoirs are more effective when they are anchored at the treatment site and unable to move or migrate in the body after application. Many localized delivery systems are susceptible to migration away from the treatment site after application.
- **Potential chemical modifications to underlying drug.** Currently developed localized delivery systems can modify or form chemical bonds with the underlying drug, which may alter its mechanism of action, potentially impeding the regulatory process for approval and making development longer and more expensive.
- **Limited application to different drug types.** Many localized delivery systems are suited only to a particular drug, or class of drugs, and are therefore limited in their broader clinical scope.
- **Difficult to use.** Localized delivery systems may require extensive training in their application and are difficult to use. Improper use can adversely affect the therapeutic benefit and physician acceptance of the product.

These disadvantages are significantly challenging for the management of SSIs, where the controlled and prolonged local delivery of a drug is likely to be more effective in preventing and managing an infection than a release profile of an initial high burst of drug over a shorter duration. While we believe that localized drug delivery systems are well suited for the management of SSIs, it is important for these systems to overcome these limitations in order to change the treatment paradigm for infection management.

These limitations are particularly problematic in treating infection caused by bacteria that are resistant to currently available treatments, such as methicillin-resistant *Staphylococcus aureus*, or MRSA. The inability to generate a sufficiently high local concentration of a drug for an extended period of time limits the drug's effectiveness in treating antibiotic-resistant bacterial infections.

Our Solution: PLEX Technology

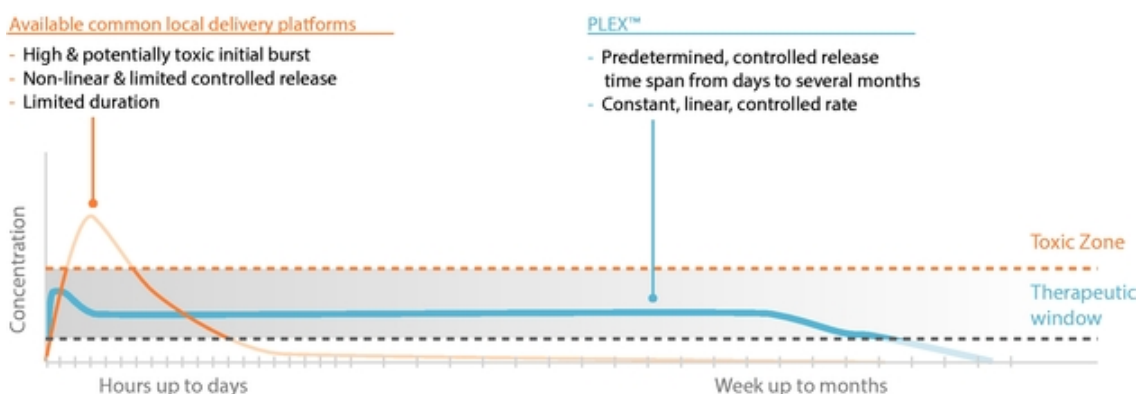
Our PLEX technology is designed to overcome the limitations of both systemic administration and current localized delivery systems. PLEX consists of a proprietary matrix of several thousand alternating layers of chemically-inactive and biocompatible polymers and lipids that physically embed an active medication in a protected reservoir between the layers. The technology is designed to enable localized drug delivery at customizable, predetermined release rates and durations directly at the target site over periods ranging from several days to several months. For example, D-PLEX₁₀₀ consists of approximately ten thousand layers of biodegradable polymers and lipids. Medications stored between the PLEX matrix layers are released over time in a controlled manner and in customizable, predetermined amounts by the gradual disintegration of the layers, from the outer layer to the inner layers. PLEX is designed to protect the embedded drug from the body's natural hydration and enzymes that would otherwise degrade or alter the underlying drug. Over time, natural hydration in the body

disintegrates the outer layers of PLEX, which triggers release of the drug in an unmodified active form, similar to continuous direct administration, as illustrated below:



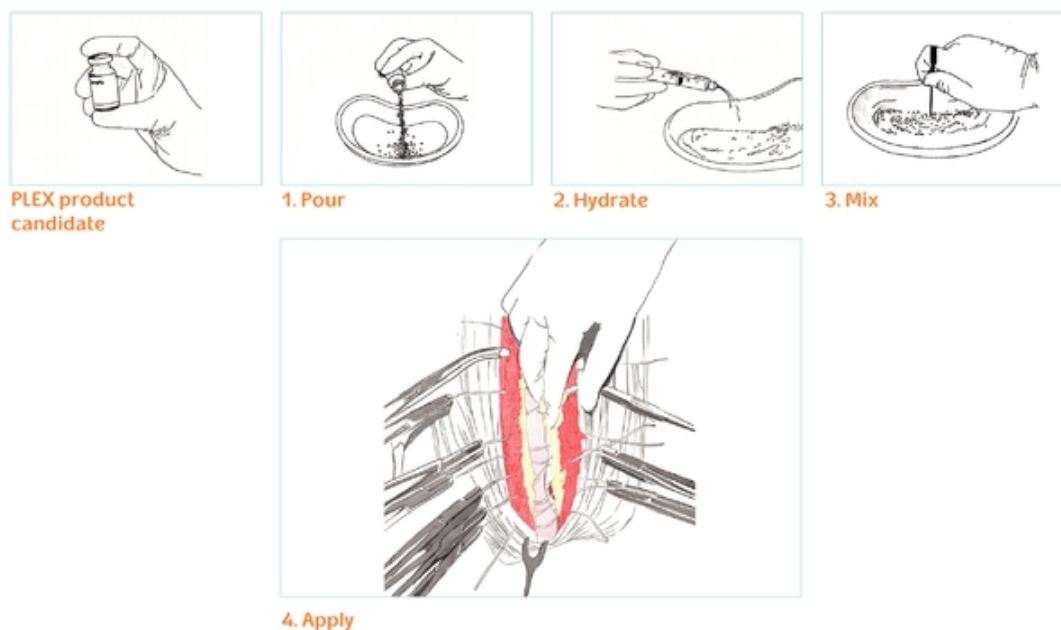
We believe PLEX has a number of key design benefits:

- **Constant, predetermined drug release rates over prolonged periods.** PLEX enables the pre-designed constant local release of active medication over a customizable, predetermined period to optimize the drug's clinical impact. This localized, targeted delivery is designed to generate effective and non-toxic concentration of the medications to reach clinical benefits not attainable by the systemic route. The release rate and period can be customized to range from a few days to several months based on the number of layers and the disintegration rate of the layers, as illustrated below:



- **Direct access to, and penetration of, difficult-to-reach tissue.** Application of our PLEX product candidates may provide long lasting treatment even in challenging medical conditions or in tissues that are not easily or safely accessible using systemic or topical modalities. This includes surgical sites or other tissues with limited or interrupted blood supply.
- **Anchored to the treatment site.** PLEX physically embeds an API in a manner that anchors it to a specific location in the body and allows for administration where the medication is needed. Due to their particle mass, our product candidates have not been observed to move or migrate once applied to the intended treatment site.
- **Potential for improved drug safety profile.** Our PLEX product candidates can use a fraction of the medication required in systemic administration of currently marketed therapies, and these medications are physically embedded to minimize exposure to body fluids. Through controlled release, PLEX is designed to generate local concentrations of the needed medication that are therapeutically effective but not toxic.
- **No chemical modification required to the embedded drug.** PLEX embedding does not require any chemical changes to the drug, which we believe will streamline our development process by allowing us to rely in part on prior studies of safety and efficacy and maintain the already proven mechanism of action.
- **Biocompatible.** The PLEX matrix gradually disintegrates in the body at predetermined rates, eliminating the need for additional medical procedures to remove the medication reservoir once depleted.

- **Easy to use.** D-PLEX₁₀₀ is supplied as a sterile powder that can be administered locally as a powder or paste during surgery directly to a variety of tissues and solid organs, as illustrated below. No additional training is required for the surgeon or medical provider.



- **Broad potential applicability.** Because PLEX is designed to be agnostic to the nature and size of the underlying drug, and no chemical bonds develop between the embedded medication and the PLEX components, we believe PLEX can be used for the improvement of a wide variety of medicines, including small molecules, peptides, proteins and other nucleic acids-based drugs. In our research and development programs, we have paired PLEX with small molecules, proteins, antibodies, peptides, nucleic acids-based drugs and growth factors.
- **Efficient and scalable manufacturing process.** Our PLEX product candidates are manufactured using a scalable process with well-defined operations. We believe that this highly specialized and precisely controlled manufacturing process enables us to manufacture product candidates reproducibly and efficiently for clinical and commercial applications.

Benefits of D-PLEX for the Prevention of SSIs

Doxycycline received FDA approval in 1967 and is on the WHO's Essential Medicines List for drugs deemed to be among the safest and most effective for addressing important public health needs today. Doxycycline has been safely used for decades in millions of patients globally and has the following additional advantages over many other antibiotics:

- broad spectrum of anti-infective activity against both gram-positive and gram-negative bacteria;
- highly effective against *Staphylococcus aureus*, one of the most common bacteria associated with SSIs;
- potent against many MRSA strains; and
- good tissue and cell penetration.

D-PLEX₁₀₀ is designed to prevent SSIs by releasing doxycycline locally to the surgical site at predetermined release rates and durations for up to four weeks. The plasma concentration of doxycycline following treatment with D-PLEX₁₀₀ is lower than the plasma concentration following the commonly used daily dose of orally administered doxycycline. We believe that this prolonged delivery following a single administration and subsequent high local concentrations of the antibiotic supersedes

any existing antibiotic delivery system, and as such may offer advantages over systemic treatments in the prevention of SSIs, including against many antibiotic-resistant bacterial strains. We believe that, by combining doxycycline with PLEX, D-PLEX₁₀₀ has the potential to overcome these limitations and deliver significant advantages in the prevention of SSIs, including:

- localized, targeted delivery of an antibiotic at therapeutically effective concentrations for four weeks;
- significantly lower amounts of drug required, which may improve safety and reduce overall toxicity and adverse side effects due to lower systemic exposure;
- applicability to a wide range of bacteria strains that are considered resistant to commonly used antibiotics, including vancomycin-resistant bacteria, MRSA and doxycycline-resistant bacteria;
- increased penetration and access to the site of infection;
- simplicity of administration during surgery that requires no additional training;
- biodegradability of the technology components, such that no further procedures are required to remove the delivery system;
- minimized undesirable changes to the patient's microbiome; and
- improved patient compliance.

D-PLEX₁₀₀ has the potential to positively impact the treatment paradigm for SSIs. For example, we have observed in our clinical trials that surgeons applying D-PLEX₁₀₀ directly to an open wound during an initial surgery avoided repeated surgical interventions to treat an active infection. Moreover, because it uses a smaller dose of doxycycline, we believe that D-PLEX₁₀₀ will not contribute to the growing problem of antibiotic-resistant bacteria.

Further, we believe D-PLEX₁₀₀ has the potential to treat antibiotic-resistant bacterial infections, where the required concentrations of drugs to overcome the infection cannot be delivered safely via systemic administration. In three investigator-initiated compassionate use cases, patients with severe bone bacterial infections, including MRSA, were treated with D-PLEX₁₀₀ or D-PLEX₁₀₀₀, a predecessor product candidate to D-PLEX₁₀₀. After a single application of D-PLEX, the infection was eradicated in all patients. In preclinical studies, we also observed that a single application of D-PLEX₁₀₀ substantially reduced MRSA and vancomycin-resistant bacterial infections in surgical sites.

The Burdens of SSIs

Hospital acquired infections, or HAIs, are infections that patients acquire when receiving medical treatment in a healthcare facility. According to the WHO, HAIs are the most frequent adverse event affecting patient safety worldwide. SSIs are the second most common HAI in both the United States and the European Union and occur in approximately 2% to 5% of all patients undergoing inpatient surgery worldwide despite accepted antibiotic strategies intended to prevent infection. However, these figures are likely underestimated for a number of reasons, including surgeon underreporting and negative reimbursement implications, and because approximately 50% of SSIs become evident only after a patient has been discharged. Further, the incidence and morbidity of SSIs may differ based on the surgical procedure performed and underlying patient risk factors.

SSIs prolong patient recovery and cause a substantial increase in the clinical and economic burdens of surgery, due to longer hospital stays, as well as increased costs related to diagnostic tests and management of the infection. Certain patients may require readmission, subsequent surgeries and other interventions, as well as further outpatient care, due to SSIs. According to the WHO, SSIs account for an estimated \$10 billion of incremental hospital costs per year in the United States and €11 billion per year in the European Union. Directly attributable costs of SSIs range from approximately \$11,000 to \$26,000 per infection. In more complex infections involving a prosthetic joint or an antimicrobial-resistant organism, the costs per case can exceed \$90,000. SSIs are associated with approximately seven to eleven additional post-operative hospital days, and patients with an SSI have a two to eleven times

increased risk of death compared to infection-free patients. Following discharge from the hospital, SSI patients may also require healthcare from other community care services, further contributing to the overall economic burden of the infection. The CDC estimates that the financial costs of treating SSIs will continue to increase, both because more surgeries are being performed and because surgical patients present with increasingly complex comorbidities. Moreover, in the United States, CMS tracks SSI rates, particularly those following hysterectomies and colorectal resection surgeries, and are increasingly using these statistics to deny reimbursement claims for certain SSIs or reduce total annual CMS payments for hospitals that CMS deems to not meet certain quality metrics for the prevention of infection. CMS also publishes the SSI incidence rate for hospitals, and, consequently, hospitals have economic and reputational, in addition to human, incentives to prevent SSIs.

Despite the high incidence of SSIs, a large proportion of SSIs are estimated to be preventable with the use of evidence-based measures. The prevention of SSIs is complex and requires the implementation of a range of prevention and treatment approaches before, during and after surgery. Most significantly, the WHO, CDC and other health organizations recommend the use of systemic and antiseptic measures prior to surgery to help prevent SSIs; however, systemic administration of antibiotics comes with the risk of further development of antibiotic-resistant bacteria.

Health Economic Benefits of D-PLEX₁₀₀

We believe that D-PLEX₁₀₀, if approved, may provide significant health economic benefits that play an important role in formulary decision making. Members of our management team have experience in applying health economic outcomes research to support the launch of successful commercial products. Our goal is to work directly with hospital customers, group purchasing organizations, integrated health networks, payors, quality improvement organizations and key opinion leaders in the field of SSI prevention to deliver data showing the potential for demonstrable pharmacoeconomic benefits from the use of D-PLEX₁₀₀, if approved.

Reimbursement for surgical procedures is typically capitated or fixed by third-party payors based on the specific surgical procedure performed. However, for many patients undergoing high-risk surgeries or those with co-morbidities, the incidence of SSIs remains high, potentially leading to significant healthcare cost burdens relative to the capitated reimbursement related to prolonged lengths of stay in the hospital, readmissions and additional surgical and other interventions due to the infection. In addition, hospitals continue to focus on quality improvements to reduce SSIs in order to support optimal reimbursement and reduced penalties under CMS initiatives, such as the Hospital Acquired Condition Reduction Program, Hospital Readmission Reduction Program and the Hospital Value-Based Purchasing Program. Following discharge from the hospital, patients with an SSI may also rely on healthcare from other community care services, which further contributes to the overall economic burden of the infection.

D-PLEX₁₀₀ is designed to be applied directly to the surgical site during the initial surgery and is intended to prevent SSIs and improve associated mortality and morbidity, with potential broader healthcare economic benefits by reducing lengths of stay in the hospital, readmissions and additional surgical and other interventions.

For example, in our Phase 1b/2 clinical trial of D-PLEX₁₀₀ for the prevention of sternal SSIs after cardiac surgery, we observed that patients treated with D-PLEX₁₀₀ plus the standard of care had a 67% reduction in sternal wound discharge within 90 days post-surgery, as compared to the control arm. We also conducted a post-hoc analysis, which showed an 85% reduction in patients who were treated with intravenous antibiotics due to sternum wound discharge within 90 days post-surgery, as compared to the control arm.

We intend to complete potentially pivotal Phase 3 trials in the abdominal (soft tissue) and sternal (bone) surgery settings. In such trials, we plan to evaluate health economic outcomes in order to generate further evidence to potentially support approval by the FDA and EMA and, if D-PLEX₁₀₀ is

approved, broad adoption among healthcare providers and payors. We intend to further support any such data with post-marketing studies.

Our D-PLEX₁₀₀ Market Opportunity

We are initially focused on developing D-PLEX₁₀₀ for the prevention of SSIs, where we believe there is a high unmet medical need, especially in surgeries that are at high-risk for infection or infection-related complications. Further, patients with co-morbidities, including those who are diabetic, obese, smokers, immunocompromised, aged 60 or over and those who are undergoing surgeries with a longer duration or a longer incision size, are particularly at risk for SSI-related complications, even if they are not undergoing high-risk surgeries. We believe that D-PLEX₁₀₀, if approved, also has the potential to address the needs of these patients.

SSIs in Soft Tissue Surgeries

SSIs are one of the most frequent complications in abdominal surgeries, and they represent a significant cause of mortality and morbidity. SSIs occur in approximately 5% to 30% of soft tissue surgeries, including approximately 10% to 15% of open abdominal surgeries, which represent the majority of the "Selected Gastrointestinal Surgeries" below, approximately 15% to 30% of colorectal surgeries and up to 4% of hysterectomies. Patients undergoing colorectal surgeries are at particularly high risk of developing SSIs because of the high risk of additional bacterial contamination originating from the operated gastrointestinal organs. Abdominal SSIs are associated with an average of 18 additional post-operative hospital days. Patients undergoing abdominal surgery and that are subjected to an SSI are at greater risk of additional complications such as hernias, which can significantly affect health outcomes and require additional corrective surgery.

The table below provides the estimated sizes of our soft tissue surgery addressable market opportunity in selected gastrointestinal surgeries and selected gynecological and urologic surgeries in the United States, the EU-5, which, for purposes of the following data, includes France, Germany, Italy, Spain and the United Kingdom, and the rest of the world, or ROW, which, for purposes of the following data, includes India, China, Brazil and Japan, based on the number of procedures performed in 2017, according to a study we commissioned from Life Science Intelligence, Inc.

	Number of Surgeries (2017)
<i>Selected Gastrointestinal Surgeries</i>	
United States	7,984,000
EU-5	7,816,000
ROW	4,789,800
<i>Selected Gynecological and Urologic Surgeries</i>	
United States	1,096,000
EU-5	720,000
ROW	827,200
Total	23,233,000

SSIs in Bone Surgeries

In the context of cardiac surgeries, SSIs can occur in 5% to 8% of procedures but carry a mortality rate of up to 40% for deep sternal wound infections, which are more difficult to treat than superficial infections. Deep sternal wound SSIs are associated with an average of 35 post-operative hospital days, compared with a mean of 11 days for infection-free patients. The cost of care for a patient that develops a deep sternal wound SSI can be as much as three times greater than the cost of care for an infection-free patient.

In the context of orthopedic surgeries, SSIs can occur in 0.5% to 4.0% of primary hip, knee and spine surgery and in 10% to 15% of general trauma and open fracture surgery. Orthopedic SSIs are difficult to treat and associated with lifelong infection recurrence risk of 10% to 20%, including MRSA infections. Further, bone healing may also be impaired, which can result in disabling complications, including amputation. Orthopedic SSIs have been estimated to prolong total hospital stay by a median of two weeks per patient, approximately double readmission rates and increase healthcare costs by more than 300% compared to infection-free patients.

The table below provides the estimated sizes of our bone surgery addressable market opportunity in open heart surgeries and selected orthopedic surgeries, including both primary and revision knee and hip replacements, open fractures and spine fusions, in the United States, the EU-5 and ROW, based on the number of procedures performed in 2017, according to a study we commissioned from Life Science Intelligence, Inc.

	Number of Surgeries (2017)
<i>Open Heart Surgeries</i>	
United States	347,000
EU-5	362,000
ROW	441,000
<i>Selected Orthopedic Surgeries</i>	
United States	4,516,000
EU-5	2,783,000
ROW	3,922,000
Total	12,371,000

Clinical Development of D-PLEX₁₀₀

We are currently conducting a potentially pivotal Phase 3 clinical trial of D-PLEX₁₀₀ for the prevention of SSIs in sternum (bone) surgeries and we also plan to initiate the first of two potentially pivotal Phase 3 trials of D-PLEX₁₀₀ for the prevention of abdominal (soft tissue) SSIs in the third quarter of 2020.

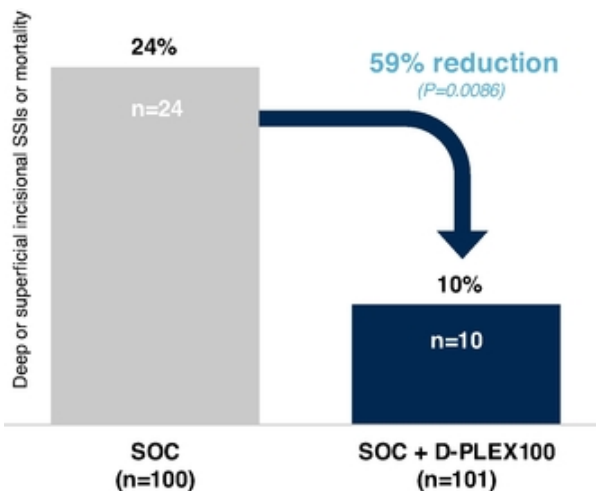
Completed Clinical Trials of D-PLEX₁₀₀ for the Prevention of SSIs

Phase 2 Clinical Trial for D-PLEX₁₀₀ in the Prevention of SSIs after Abdominal Surgery

In October 2019, we reported topline data from our Phase 2 clinical trial of D-PLEX₁₀₀ for the prevention of superficial and deep incisional SSIs after elective abdominal colon surgery involving resection. This prospective, multicenter, randomized, controlled, single-blind, two-arm clinical trial of 201 patients assessed the safety and efficacy of D-PLEX₁₀₀ with the standard of care, a prophylactic antibiotic administered intravenously prior to surgery, compared to a standard of care control arm. The primary endpoint was the combination of incisional SSIs and mortality rate as measured by the number and proportion of subjects with either an SSI event, as determined by a blinded and independent adjudication committee, or mortality for any reason within 30 days post-surgery. All subjects were followed 60 days post-surgery for the assessment of safety.

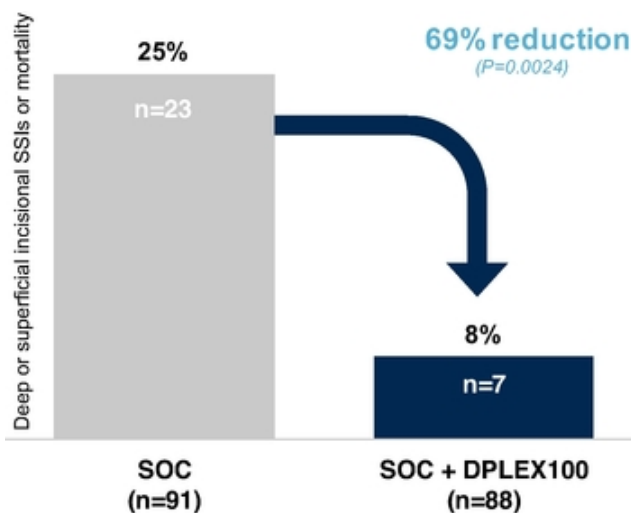
We enrolled 201 patients between the ages of 19 and 92, with a median age of 64, who underwent surgery at eight sites in Israel between October 2018 and August 2019, and 101 patients were randomly assigned to receive D-PLEX₁₀₀. Of these patients, 74% underwent surgery for cancer and 13% for treatment of Crohn's disease, and 65% of the surgeries were minimally invasive (laparoscopies) and 35% were open surgeries (laparotomies). The treatment and control arms were balanced across patient baseline characteristics such as age, sex and BMI, reason for the surgery and type of surgery performed.

Patients treated with D-PLEX₁₀₀ had a statistically significant reduction of 59% (p=0.0086) in deep or superficial incisional SSIs or mortality for any reason within 30 days of surgery, which was the primary endpoint for the trial, as compared to patients who received the standard of care as illustrated below.



* A result is considered to be statistically significant when the probability of the result occurring by random chance, rather than from the efficacy of the treatment, is sufficiently low. The conventional method for determining the statistical significance of a result is known as the "p-value," which represents the probability that random chance caused the result (e.g., a p-value = 0.01 means that there is a 1% probability that the difference between the control group and the treatment group is purely due to random chance). Generally, a p-value less than 0.05 is considered statistically significant.

In addition, in the 179 patients who completed the trial without any major protocol deviations, patients treated with D-PLEX₁₀₀ achieved a statistically significant reduction of 69% (p=0.0024) in the primary endpoint events of deep or superficial incisional SSIs or mortality for any reason within 30 days of surgery as compared to patients who received the standard of care, as illustrated below. Two patients in the control arm developed deep SSIs, as compared to no patients in the treatment arm.



Further, there was a statistically significant difference (p=0.0290) in patient deaths within 60 days of surgery, with no deaths observed in the D-PLEX₁₀₀ treatment arm as compared to five deaths observed in the standard-of-care arm.

D-PLEX₁₀₀ was observed to be generally well tolerated, with no confirmed drug-related SAEs, and did not increase wound healing impairment at the incision site as compared to the control arm. There were eight treatment emergent adverse events, or TEAEs, in eight patients treated with D-PLEX₁₀₀ that were determined by the blinded investigator to be possibly drug-related, as illustrated below, versus 18 TEAEs observed in 13 patients in the control arm. Patients in the treatment arm also had 15 post-operative wound infection AEs, as compared to 23 in the control arm.

	D-PLEX ₁₀₀ Arm (N=99)	Control Arm (N=100)
Total Number of Possibly-Related TEAEs	8	18
Number of Patients with at Least One Possibly-Related TEAE	8 (8.0)%	13 (13.1)%
General disorders and administration site conditions	4 (4.0)%	3 (3.0)%
Infections and infestations	2 (2.0)%	10 (10.0)%
Injury, poisoning and procedural complications	1 (1.0)%	0 (0.0)%
Nervous system disorders	0 (0.0)%	1 (1.0)%
Skin and subcutaneous tissue disorders	0 (0.0)%	2 (2.0)%
Surgical and medical procedures	1 (1.0)%	0 (0.0)%
Vascular disorders	0 (0.0)%	1 (1.0)%

Further, patients in both the treatment arm and the control arm had a 4% rate of wound healing impairment, suggesting that D-PLEX₁₀₀ did not increase wound healing impairment. We also evaluated patients using the ASEPSIS scale, a common method of assessing wound healing based on the need for additional treatment, the presence of serious discharge, skin redness and/or drainage, the separation of deep tissue, the isolation of bacteria and the duration of inpatient stay. Patients treated with D-PLEX₁₀₀ had lower average and cumulative ASEPSIS assessment scores than patients in the control arm.

More than 70% of the bacteria strains isolated from patients' SSIs were resistant to more than one type of commonly used antibiotics, with more than 60% considered multidrug resistant bacteria.

Patient pharmacokinetic data collected from treated patients showed evidence of D-PLEX₁₀₀-released doxycycline for approximately 30 days.

Phase 1b/2 Clinical Trial for D-PLEX₁₀₀ in the Prevention of Sternal SSIs after Cardiac Surgery

In January 2018, we reported data from our Phase 1b/2 clinical trial of D-PLEX₁₀₀ for the prevention of sternal SSIs in patients undergoing cardiac surgery through median sternotomy. This two-part trial was conducted in 81 patients at four sites in Israel, with a six-month safety follow-up period. An independent, blinded adjudication committee reviewed all patients with an SSI as identified by the principal investigator.

The first part was an open label, single arm trial of 20 patients who received D-PLEX₁₀₀ together with the standard of care, which generally consists of a systemic antibiotic given within one hour prior to surgery. Based on feedback from the FDA, the second part of the clinical trial was designed as a randomized and single-blinded trial of 61 patients, divided in a two-to-one ratio between treatment and control arms. This trial was not powered for statistical significance. One arm received D-PLEX₁₀₀ and the standard of care, and the second arm received the standard of care alone. One patient randomized to the standard-of-care arm received D-PLEX₁₀₀, and two patients randomized to the D-PLEX₁₀₀ treatment group did not receive the study drug.

None of the 58 patients treated with D-PLEX₁₀₀ and the standard of care had a sternal infection within 90 days post-surgery, which was the primary endpoint of the trial, as compared to one patient in the group treated with the standard of care alone, representing 4.3% infection rate. According to recent literature, the expected infection rate for patients receiving the standard of care alone is 5% to 8%.

In patients treated with D-PLEX₁₀₀ plus the standard of care, we observed a 67% reduction in the number of patients with sternal wound discharge within 90 days post-surgery, as compared to the control arm. We also conducted a post-hoc analysis, which showed an 85% reduction in patients who were treated with intravenous antibiotics due to sternum wound discharge within 90 days post-surgery, as compared to the control arm.

D-PLEX₁₀₀ was observed to be generally well tolerated, with no drug-related SAEs and no drug-related wound healing issues at the incision site. Patient pharmacokinetic data collected from treated patients showed evidence of D-PLEX₁₀₀-released doxycycline for approximately 30 days.

Ongoing and Planned Phase 3 Clinical Trials of D-PLEX₁₀₀

Phase 3 Clinical Trial for the Prevention of SSIs after Abdominal Surgery

Following our end of Phase 2 meeting with the FDA in February 2020, we plan to initiate two potentially pivotal Phase 3 clinical trials of D-PLEX₁₀₀ for the prevention of SSIs after abdominal surgery. We plan to initiate the first Phase 3 trial in this indication in the third quarter of 2020. We expect to report topline results from this trial at the end of 2021 and to initiate the second Phase 3 trial approximately six months after the initiation of the first trial. Both trials are expected to be prospective, multinational, multicenter, randomized, controlled, two-arm, double-blinded trials to evaluate the efficacy and safety of D-PLEX₁₀₀ in combination with the standard of care, which includes a prophylactic antibiotic administered prior to surgery.

We expect to initiate the first trial in Israel, with additional sites in the United States and Europe, and anticipate enrolling between 616 and 900 patients, aged 18 years and older at screening, undergoing an elective colorectal surgery involving colon or rectal resection and with at least one incision measuring greater than 10 centimeters. The second Phase 3 trial is expected to enroll between 900 and 1,400 patients, aged 18 years and older at screening, undergoing an elective colorectal surgery involving colon or rectal resection, with or without a stoma, and with at least one incision measuring greater than seven centimeters, at sites in the United States, Europe and Israel. The population for both trials is similar to the population evaluated in the Phase 2 trial. Eligible patients in each trial will be randomly allocated into two blinded arms to receive either D-PLEX₁₀₀ in combination with the standard of care or the standard of care alone.

The primary endpoint of both trials is the infection rate as measured by the proportion of patients with at least one abdominal incisional infection event, as determined by a blinded and independent adjudication committee, within 30 days post-surgery. Among the secondary endpoints, we will evaluate health economic endpoints, including but not limited to the overall number of hospitalization days post-surgery, number of re-admissions due to SSIs and number of antibiotic treatment days post-surgery. We will assess safety as evaluated by adverse events, within 60 days post-surgery, as well as incisional wound healing as assessed by a blinded investigator using a visual examination and the modified Vancouver Scar Scale.

Phase 3 Clinical Trial for the Prevention of Sternal SSIs after Cardiac Surgery

In December 2019, we initiated a potentially pivotal Phase 3 clinical trial of D-PLEX₁₀₀ for the prevention of sternal SSIs after cardiac surgery, and we enrolled the first patient in February 2020. We have paused enrollment in this trial due to the COVID-19 pandemic, but we have informed investigators that they should continue monitoring current patients per the trial protocol. Pending the availability of additional funding following this offering, we expect to resume enrollment when we believe it is safe to do so and anticipate conducting an interim analysis after a total of 850 patients have been assessed for the presence of at least one sternal wound infection or mortality for any reason within 90 days post-surgery. This trial is a prospective, multinational, multicenter, randomized, two-arm, single-blinded trial to evaluate the efficacy and safety of D-PLEX₁₀₀ in combination with the standard of care, which is a prophylactic antibiotic administered prior to surgery. We plan to run an adaptive design clinical trial and expect to enroll between 1,284 and 1,600 patients, aged 18 years and older,

undergoing median sternotomy in cardiac surgery, with additional SSI-related comorbidities, such as diabetes and abnormal body mass index, at sites in the United States, Europe and Israel. Eligible patients will be randomly allocated into two arms to receive either D-PLEX₁₀₀ in combination with the standard of care or the standard of care alone.

The primary efficacy endpoint for this clinical trial is the infection rate as measured by the proportion of patients with at least one sternal wound infection event, including deep and superficial sternal wound infections, as determined by a blinded and independent adjudication committee, or mortality for any reason within 90 days post-surgery. Among the secondary endpoints we will evaluate are health economic endpoints, including but not limited to the overall number of hospitalization days post-surgery due to sternal infection, number of antibiotic treatment days post-surgery and number of surgical interventions due to SSI within 90 days post-surgery. We will also evaluate safety for six months post-surgery.

We expect to conduct an interim analysis of data from the clinical trial after a total of 850 patients have been assessed for the presence of at least one sternal wound infection or mortality for any reason within 90 days post-surgery. We have agreed on an initial Pediatric Study Plan with the FDA.

Additional Clinical Data in Support of D-PLEX₁₀₀

We completed a clinical trial of the safety and efficacy of D-PLEX₁₀₀₀, a predecessor product candidate to D-PLEX₁₀₀, for the prevention of infection in contaminated bone following open tibia fractures in 51 patients. Given that D-PLEX₁₀₀₀ is another product candidate from the D-PLEX family, we believe these clinical trial results may also be relevant to the clinical development profile of D-PLEX₁₀₀. At the six-month follow-up period, patients treated with D-PLEX₁₀₀₀ with the standard of care had no infections or infection-related bone morbidities, including non-union of the bone, following surgery, as compared to 11.1% of the patients treated only with the standard of care. D-PLEX₁₀₀₀ was observed to be generally well tolerated, with no drug-related AEs

We also conducted two pilot clinical trials of D-PLEX₁₀₀₀ in a total of 19 patients with infected open long bone fractures. In these trials, patients treated with D-PLEX₁₀₀₀ with the standard of care had no bone infections at the treatment site in the six months following treatment. In contrast, according to recent literature the expected infection rate for patients receiving the standard of care alone is 7% to 19%. Additionally, at the six-month follow up date, no deaths, amputations or drug-related SAEs were observed in the treatment arms.

We do not plan to pursue further independent development of D-PLEX₁₀₀₀, as we believe the prevention of SSIs in the orthopedic market can be adequately addressed by D-PLEX₁₀₀.

Future Development of PLEX in other Medical Applications

Our PLEX platform technology may have broad applications for other localized medical conditions other than the prevention of SSIs. We have conducted research and development for our PLEX platform in a variety of potential indications, including for the treatment of infection, cancer, inflammation and pain.

PLEX for Cancer

We are conducting preclinical studies of PLEX_{ONC}, which pairs PLEX with chemotherapy as an intratumoral therapy. In our research and development program, we have paired PLEX with monoclonal antibodies for use in immunotherapy. In preclinical rodent studies, we have observed the prolonged, predetermined release for a duration of three weeks of an antibody when paired with PLEX. We intend to provide an update on our development plans for PLEX_{ONC} by the end of 2020.

PLEX for Other Applications

In our research and development programs, we have paired PLEX with small molecules, proteins, antibodies, peptides, nucleic acids-based drugs and growth factors. We continue to evaluate these research and development programs for potential development by us or in collaboration with leading biopharmaceutical companies.

Competition

The biopharmaceutical industry is intensely competitive and subject to rapid and significant technological change. Our potential competitors include large and experienced companies that have significant competitive advantages over us, such as greater financial, research and development, manufacturing, personnel and marketing resources, greater brand recognition, and more experience and expertise in obtaining marketing approvals from the FDA and foreign regulatory authorities. These companies may develop new drugs to treat the indications that we target or seek to have existing drugs approved for use in the indications that we target.

These potential competitors may therefore introduce competing products without our prior knowledge and without our ability to take preemptive measures in anticipation of their commercial launch. Competition may increase further as a result of advances in the commercial applicability of technologies and greater availability of capital for investment in this industry. Our competitors may succeed in developing, acquiring or licensing on an exclusive basis, products that are more effective, easier to administer or less costly than our product candidates.

The current standard of care for preventing SSIs involves the implementation of a range of treatment and prevention measures before, during and after surgery, including prophylactic antibiotic administration, antiseptic measures and wound care. We anticipate that D-PLEX₁₀₀, if approved, could be used as a complementary part of many surgical protocols, rather than competitive, in addition to the current standard of care for the prevention of SSIs. In addition, we are aware of other approved treatments that can be applied locally during surgery for the prevention of SSIs, including triclosan-coated antiseptic sutures, negative wound pressure therapy, the CleanCision wound retraction and protection system and a resorbable gentamicin-collagen sponge, which is approved in the European Union and Canada. In orthopedic surgeries, we are aware of approved treatments for localized SSI prevention that pair bone cement or bone graft substitutes premixed with an antibiotic. Further, we are aware of prior clinical development of a vaccine against *Staphylococcus aureus* that was halted due to lack of efficacy.

We may also face competition from companies that are developing localized extended release delivery systems, including, among others, Pacira Pharmaceuticals, Inc., Heron Therapeutics, Inc., Urogen Pharma Ltd., Flexion Therapeutics, Inc. and LIDDS AB.

Manufacturing

Our PLEX product candidates are manufactured using a scalable self-assembly process with well-defined operations. This highly specialized and precisely controlled process enables us to manufacture product candidates consistently and efficiently for clinical and commercial applications. We have constructed a state-of-the-art, sterile manufacturing facility that is designed to be cGMP compliant for the production of our product candidates adjacent to our administrative headquarters in Petach Tikva, Israel. The manufacturing facility is cGMP certified by the IMOH and inspected by an EU-qualified person, enabling cGMP manufacturing of D-PLEX₁₀₀ for our ongoing and planned potentially pivotal Phase 3 clinical trials to be conducted in the United States and Europe.

We estimate that our facility will meet commercial demand for at least the first 30 months following a commercial launch of D-PLEX₁₀₀, if approved. We intend to use this capacity as the basis to build a fully integrated biopharmaceutical company, supported by our in-house research and development team and our anticipated commercial infrastructure. If necessary to meet further commercial demand in the future, we may expand our manufacturing capabilities or employ third-party contract manufacturing organizations.

Additionally, we rely on third parties as needed for the supply of certain raw materials necessary to manufacture our product candidates.

Marketing, Sales and Distribution

Given our current stage of development, we have limited internal marketing, sales and distribution capabilities. We have established a wholly-owned United States subsidiary, PolyPid Inc., a Delaware corporation with operations in New Jersey, to support our potential commercialization efforts in the United States and our clinical development program. We intend to launch D-PLEX₁₀₀ and any future product candidates in the United States using a direct salesforce targeting our primary market of hospitals where major surgeries are undertaken. We may elect to also partner in parallel in the United States in order to maximize our commercial success and launch of any approved products. We believe that the cost-effectiveness and potential clinical benefits of D-PLEX₁₀₀ will support its commercial launch under existing Medicare rates given the associated mortality, morbidity and cost burden of SSIs and the associated penalties imposed on hospital reimbursement from CMS. In addition, we believe that there may be opportunities for reimbursement of D-PLEX₁₀₀ under CMS programs. Outside the United States, we intend, where appropriate, to pursue commercialization relationships, including strategic alliances and licensing, with pharmaceutical companies and other strategic partners that are equipped to market or sell our products through their well-developed sales, marketing and distribution organizations in such countries.

In addition, we may out-license some or all of our patent rights to more than one party to achieve the fullest development, marketing and distribution of any products we develop.

Intellectual Property

Our patent estate includes patents and patent applications with claims directed to our PLEX technology platform, D-PLEX₁₀₀ product candidate and claims for potential future product candidates. As of May 31, 2020, our patent estate includes 79 issued patents, including utility and composition of matter patents, four allowed patent applications and 32 pending patent applications for our product candidates, manufacturing processes and methods of treatment.

Our patents and patent applications primarily relate to a polymer-lipid-based platform for sustained release of an active pharmaceutical agent at a target site. As of May 31, 2020, we have 34 issued patents, one patent application that has been allowed and one pending patent application in various countries worldwide related to compositions for sustained release of an API, including a lipid-saturated matrix formed from a biodegradable polymer, as well as methods for producing such compositions and methods of treatment through the use of such compositions. We also have 17 issued patents and one pending patent application in various countries worldwide related to compositions for sustained release of an API including a lipid-saturated matrix formed from a non-biodegradable polymer, as well as methods for producing such compositions and methods of treatment through the use of such compositions. We also have 12 issued patents in various countries worldwide related to compositions for sustained release of a nucleic agent including a lipid-saturated matrix formed from a biodegradable polymer, as well as methods for producing such compositions and methods of treatment through the use of such compositions. We also have an issued Australian patent and a pending Indian patent application related to compositions for sustained release of peptidic molecules, as well as methods for producing such compositions and methods of treatment through the use of such compositions. We also have 13 issued patents, one patent application that has been allowed and four pending patent applications in various countries worldwide related to methods for treating bone fractures through the use of biocompatible fillers coated with sustained release antibiotic compositions, along with one issued patent, two patent applications that have been allowed and 10 pending patent applications in various countries worldwide related to methods for treating peri-implantitis and one issued patent and several pending patent applications in various countries worldwide related to methods

for preventing and treating SSIs through similar processes. As of May 31, 2020, our patent estate includes eight issued United States patents as well as issued patents and/or pending patent applications in Australia, Brazil, Canada, China, the Eurasian Patent Organization, the European Patent Office, India, Israel, Japan, Mexico, New Zealand, the Philippines, Singapore, South Africa, South Korea, Thailand and the United States. Our issued patents are expected to remain in effect between 2029 and 2035.

In addition to patents, we have two registered trademarks. "BonyPid" which is registered with the United States Patent and Trademark Office, or the USPTO, with the European Union Intellectual Property Office and with the Israeli Patent Office, and "PolyPid" which is registered with the USPTO, with the Israeli Patent Office and with the following European Union countries: Benelux, France, Germany, Spain, Austria, Italy, the United Kingdom, Ireland and Portugal. Furthermore, we rely upon trade secrets, know-how and continuing technological innovation to develop and maintain our competitive position.

Preparing and filing patent applications is a joint endeavor of our research and development team and our in-house and external patent attorneys. Our patent attorneys conduct patent prior-art searches and then analyze the data in order to provide our research and development team with recommendations on a routine basis. This results in:

- protecting our product candidates that are under development;
- encouraging pharmaceutical companies to negotiate development agreements with us; and
- preventing competitors from attempting to design-around our inventions.

We initially submit applications to the USPTO as provisional patent applications. Then typically we continue by filing non-provisional patent applications under the Patent Cooperation Treaty, or the PCT, which is an international patent law treaty that provides a unified procedure for filing a single initial patent application to later seek patent protection for an invention in any number of the member states of the PCT. Although a PCT application does not itself issue as a patent, it acts as a placeholder allowing the applicant to seek protection in any of the member states through national-phase applications.

Government Regulation

The FDA and comparable regulatory agencies in state and local jurisdictions and in foreign countries impose substantial requirements upon the clinical development, manufacture and marketing of pharmaceutical products. These agencies and other federal, state and local entities regulate research and development activities and the testing, manufacture, quality control, safety, effectiveness, labeling, storage, packaging, recordkeeping, tracking, approval, import, export, distribution, advertising and promotion of our products.

U.S. Government Regulation of Drug Products

In the United States, the FDA regulates drugs under the FDCA and its implementing regulations. The process of obtaining regulatory approvals and the subsequent compliance with applicable federal, state, local and foreign statutes and regulations requires the expenditure of substantial time and financial resources. Failure to comply with the applicable U.S. requirements at any time during the product development process, approval process or after approval, may subject an applicant to a variety of administrative or judicial sanctions, such as the FDA's refusal to approve pending NDAs, withdrawal of an approval, imposition of a clinical hold, issuance of warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties.

The process required by the FDA before product candidates may be marketed in the United States generally involves the following:

- nonclinical laboratory and animal tests that must be conducted in accordance with good laboratory practices;
- submission of an investigational new drug application, or IND, which must become effective before clinical trials may begin;
- approval by an independent institutional review board, or IRB, for each clinical site or centrally before each trial may be initiated;
- adequate and well-controlled human clinical trials to establish the safety and efficacy of the proposed product candidate for its intended use, performed in accordance with good clinical practices, or GCPs;
- submission to the FDA of an NDA and payment of user fees;
- satisfactory completion of an FDA advisory committee review, if applicable;
- pre-approval inspection of manufacturing facilities and selected clinical investigators for their compliance with cGMP and good clinical practices, or GCPs;
- satisfactory completion of FDA audits of clinical trial sites to assure compliance with GCPs and the integrity of the clinical data;
- FDA approval of an NDA to permit commercial marketing for particular indications for use; and
- compliance with any post-approval requirements, including the potential requirement to implement a Risk Evaluation and Mitigation Strategy, or REMS, and the potential requirement to conduct post-approval studies.

The testing and approval process requires substantial time, effort and financial resources. Preclinical studies include laboratory evaluation of drug substance chemistry, pharmacology, toxicity and drug product formulation, as well as animal studies to assess potential safety and efficacy. Prior to commencing the first clinical trial with a product candidate, we must submit the results of the preclinical tests and preclinical literature, together with manufacturing information, analytical data and any available clinical data or literature, among other things, to the FDA as part of an IND. Some preclinical studies may continue even after the IND is submitted. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, raises safety concerns or questions about the conduct of the clinical trial by imposing a clinical hold. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. Submission of an IND may not result in FDA authorization to commence a clinical trial.

Clinical trials involve the administration of the investigational new drug to human subjects under the supervision of qualified investigators in accordance with GCP requirements. A separate submission to the existing IND must be made for each successive clinical trial conducted during product development, as well as amendments to previously submitted clinical trials. Further, an independent IRB for each study site proposing to conduct the clinical trial must review and approve the plan for any clinical trial, its informed consent form and other communications to study subjects before the clinical trial commences at that site. The IRB must continue to oversee the clinical trial while it is being conducted, including any changes to the study plans.

Regulatory authorities, an IRB or the sponsor may suspend or discontinue a clinical trial at any time on various grounds, including a finding that the subjects are being exposed to an unacceptable health risk, the clinical trial is not being conducted in accordance with the FDA's or the IRB's

requirements, if the drug has been associated with unexpected serious harm to subjects, or based on evolving business objectives or competitive climate. Some studies also include a data safety monitoring board, which receives special access to unblinded data during the clinical trial and may advise us to halt the clinical trial if it determines that there is an unacceptable safety risk for subjects or other grounds, such as no demonstration of efficacy.

In general, for purposes of NDA approval, human clinical trials are typically conducted in three sequential phases that may overlap.

- Phase 1—Studies are initially conducted to test the product candidate for safety, dosage tolerance, structure-activity relationships, mechanism of action, absorption, metabolism, distribution and excretion in healthy volunteers or subjects with the target disease or condition. If possible, Phase 1 clinical trials may also be used to gain an initial indication of product effectiveness.
- Phase 2—Controlled studies are conducted with groups of subjects with a specified disease or condition to provide enough data to evaluate the preliminary efficacy, optimal dosages and dosing schedule and expanded evidence of safety. Multiple Phase 2 clinical trials may be conducted to obtain information prior to beginning larger and more expansive Phase 3 clinical trials.
- Phase 3—These clinical trials are undertaken in larger subject populations to provide statistically significant evidence of clinical efficacy and to further test for safety in an expanded subject population at multiple clinical trial sites. These clinical trials are intended to establish the overall risk/benefit ratio of the product and provide an adequate basis for product labeling. These clinical trials may be done globally to support global registrations so long as the global sites are also representative of the U.S. population and the conduct of the study at global sites comports with FDA regulations and guidance, such as compliance with GCPs.

The FDA may require, or companies may pursue, additional clinical trials after a product is approved. These so-called Phase 4 studies may be made a condition to be satisfied after approval. The results of Phase 4 studies can confirm the effectiveness of a product candidate and can provide important safety information.

Clinical trials must be conducted under the supervision of qualified investigators in accordance with GCP requirements, which includes the requirements that all research subjects provide their informed consent in writing for their participation in any clinical trial, and the review and approval of the study by an IRB. Investigators must also provide information to the clinical trial sponsors to allow the sponsors to make specified financial disclosures to the FDA. Clinical trials are conducted under protocols detailing, among other things, the objectives of the trial, the trial procedures, the parameters to be used in monitoring safety and the efficacy criteria to be evaluated and a statistical analysis plan. Information about some clinical trials, including a description of the trial and trial results, must be submitted within specific timeframes to the National Institutes of Health for public dissemination on their ClinicalTrials.gov website.

The manufacture of investigational drugs for the conduct of human clinical trials is subject to cGMP requirements. Investigational drugs and active pharmaceutical ingredients imported into the United States are also subject to regulation by the FDA relating to their labeling and distribution. Further, the export of investigational drug products outside of the United States is subject to regulatory requirements of the receiving country as well as U.S. export requirements under the FFDCA. Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA and the IRB and more frequently if serious adverse effects occur.

Concurrent with clinical trials, companies usually complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the product

candidate as well as finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, must develop methods for testing the identity, strength, quality and purity of the final product. Additionally, appropriate packaging must be selected and tested, and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life.

Orange Book Listing

In seeking approval for a drug through an NDA, including a 505(b)(2) NDA, applicants are required to list with the FDA patents whose claims cover the applicant's product. Upon approval of an NDA, each of the patents listed in the application for the drug is then published in Approved Drug Products with Therapeutic Equivalence Evaluations, also known as the Orange Book.

Any applicant who files a 505(b)(2) NDA referencing a drug listed in the Orange Book must certify to the FDA (1) that no patent information on the drug product that is the subject of the application has been submitted to the FDA; (2) that such patent has expired; (3) the date on which such patent expires; or (4) that such patent is invalid or will not be infringed upon by the manufacture, use or sale of the drug product for which the application is submitted. This last certification is known as a Paragraph IV certification. Generally, the 505(b)(2) NDA cannot be approved until all listed patents have expired, except where the 505(b)(2) NDA applicant challenges a listed patent through a Paragraph IV certification.

If the applicant has provided a Paragraph IV certification to the FDA, the applicant must also send notice of the Paragraph IV certification to the holder of the NDA for the reference listed drug and the patent owner once the application has been accepted for filing by the FDA. The applicant may also elect to submit a "section viii" statement certifying that its proposed label does not contain (or carves out) any language regarding the patented method-of-use rather than certify to a listed method-of-use patent. The NDA holder or patent owner may then initiate a patent infringement lawsuit in response to the notice of the Paragraph IV certification. The filing of a patent infringement lawsuit within 45 days of the receipt of a Paragraph IV certification prevents the FDA from approving the application until the earlier of 30 months from the date of the lawsuit, expiration of the patent, settlement of the lawsuit, a decision in the infringement case that is favorable to the applicant or such shorter or longer period as may be ordered by a court. This prohibition is generally referred to as the 30-month stay. In instances where a 505(b)(2) NDA applicant files a Paragraph IV certification, the NDA holder or patent owner regularly take action to trigger the 30-month stay, recognizing that the related patent litigation may take many months or years to resolve. Thus, approval of a 505(b)(2) NDA could be delayed for a significant period of time depending on the patent certification the applicant makes and the reference drug sponsor's decision to initiate patent litigation.

Exclusivity

The FDA provides periods of non-patent regulatory exclusivity, which provides the holder of an approved NDA limited protection from new competition in the marketplace for the innovation represented by its approved drug for a period of three or five years following the FDA's approval of the NDA. Five years of exclusivity are available to new chemical entities, or NCEs. An NCE is a drug that contains no active moiety that has been approved by the FDA in any other NDA. An active moiety is the molecule or ion, excluding those appended portions of the molecule that cause the drug to be an ester, salt, including a salt with hydrogen or coordination bonds, or other noncovalent, or not involving the sharing of electron pairs between atoms, derivatives, such as a complex (*i.e.*, formed by the chemical interaction of two compounds), chelate (*i.e.*, a chemical compound), or clathrate (*i.e.*, a polymer framework that traps molecules), of the molecule, responsible for the therapeutic activity of the drug substance. During the exclusivity period, the FDA may not accept for review or approve an

Abbreviated New Drug Application, or ANDA, or a 505(b)(2) NDA submitted by another company that contains the previously approved active moiety. An ANDA or 505(b)(2) application, however, may be submitted one year before NCE exclusivity expires if a Paragraph IV certification is filed.

If a product is not eligible for the NCE exclusivity, it may be eligible for three years of exclusivity. Three-year exclusivity is available to the holder of an NDA, including a 505(b)(2) NDA, if one or more new clinical trials, other than bioavailability or bioequivalence trials, was essential to the approval of the application and was conducted or sponsored by the applicant. This three-year exclusivity period protects against FDA approval of ANDAs and 505(b)(2) NDAs for the particular condition of the new drug's approval or the change to a marketed product, such as a new formulation for a previously approved drug. Five-year and three-year exclusivity will not delay the submission or approval of a 505(b)(1) NDA; however, an applicant submitting a 505(b)(1) NDA would be required to conduct or obtain a right of reference to all of the preclinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and efficacy.

In addition, under the GAIN Act, which was enacted as part of the Food and Drug Administration Safety and Innovation Act, or FDASIA, which was signed into law in July 2012, the FDA may designate a product as a QIDP. In order to receive this designation, a drug must qualify as an antibiotic or antifungal drug for human use intended to treat serious or life-threatening infections, including those caused by either (1) an antibiotic or antifungal resistant pathogen, including novel or emerging infectious pathogens, or (2) a so-called "qualifying pathogen" found on a list of potentially dangerous, drug-resistant organisms to established and maintained by the FDA. A sponsor must request such designation before submitting a marketing application. We obtained QIDP designations for D-PLEX₁₀₀ for the prevention of post-abdominal surgery incisional infection and the prevention of post-cardiac surgery sternal infection. Upon approving a marketing application for a QIDP-designated product, the FDA will extend by an additional five years any non-patent marketing exclusivity period awarded, such as a three-year exclusivity period awarded for new clinical investigations of previously approved products. This extension is in addition to any pediatric exclusivity extension awarded, and the extension will be awarded only to a drug first approved on or after the date of enactment of the GAIN Act. The GAIN Act prohibits the grant of an exclusivity extension where the application is a supplement to an application for which an extension is in effect or has expired, is a subsequent application for a specified change to an approved product, or is an application for a product that does not meet the definition of QIDP based on the uses for which it is ultimately approved.

Hatch Waxman Amendments and the 505(b)(2) Regulatory Approval Process

Section 505 of the FFDCA describes three types of marketing applications that may be submitted to the FDA to request marketing authorization for a new drug. A Section 505(b)(1) NDA is an application that contains full reports of investigations of safety and efficacy. A Section 505(b)(2) NDA is an application that contains full reports of investigations of safety and efficacy, but where at least some of the information required for approval comes from investigations that were not conducted by or for the applicant and for which the applicant has not obtained a right of reference or use from the person by or for whom the investigations were conducted. This regulatory pathway enables the applicant to rely, in part, on the FDA's prior findings of safety and efficacy for an existing product, or published literature, in support of its application. Specifically, the applicant may rely upon the FDA's prior findings of safety and efficacy for an approved product that acts as the reference listed drug for purposes of a 505(b)(2) NDA. The FDA may also require 505(b)(2) applicants to perform additional studies or measurements to support any changes from the reference listed drug. The FDA may then approve the new product candidate for all or some of the labeled indications for which the referenced product has been approved, as well as for any new indication sought by the 505(b)(2) applicant. Lastly, the FDA permits marketing applications through Section 505(j), which establishes an abbreviated approval process for a generic version of approved drug products through the submission of an ANDA.

An ANDA provides for marketing of a generic drug product that has the same active ingredients, dosage form, strength, route of administration, labeling, performance characteristics and intended use, among other things, to a previously approved product. ANDAs are termed "abbreviated" because they are generally not required to include preclinical (animal) and clinical (human) data to establish safety and efficacy. Instead, generic applicants must scientifically demonstrate that their product is bioequivalent to, or performs in the same manner as, the innovator drug through in vitro, in vivo, or other testing. The generic version must deliver the same amount of active ingredients into a subject's bloodstream in the same amount of time as the innovator drug and can often be substituted by pharmacists under prescriptions written for the reference listed drug.

Special FDA Expedited Review and Approval Programs

The FDA has various programs, including fast track designation, breakthrough therapy designation, accelerated approval, and priority review, which are intended to expedite or simplify the process for the development and FDA review of drugs that are intended for the treatment of serious or life threatening diseases or conditions and demonstrate the potential to address unmet medical needs. The purpose of these programs is to provide important new drugs to patients earlier than under standard FDA review procedures.

Under the fast track program, the sponsor of a new drug candidate may request that FDA designate the drug candidate for a specific indication as a fast track drug concurrent with, or after, the filing of the IND for the drug candidate. To be eligible for a fast track designation, the FDA must determine, based on the request of a sponsor, that a product is intended to treat a serious or life threatening disease or condition and demonstrates the potential to address an unmet medical need, or that the drug qualifies as a QIDP under the GAIN Act. The FDA will determine that a product will fill an unmet medical need if it will provide a therapy where none exists or provide a therapy that may be potentially superior to existing therapy based on efficacy or safety factors. We obtained a Fast Track designation in November 2018 for D-PLEX₁₀₀ for the prevention of post-cardiac surgery sternal infection. Fast track designation provides additional opportunities for interaction with the FDA's review team and may allow for rolling review of NDA components before the completed application is submitted, if the sponsor provides a schedule for the submission of the sections of the NDA, the FDA agrees to accept sections of the NDA and determines that the schedule is acceptable, and the sponsor pays any required user fees upon submission of the first section of the NDA. However, the FDA's time period goal for reviewing an application does not begin until the last section of the NDA is submitted. The FDA may decide to rescind the fast track designation if it determines that the qualifying criteria no longer apply.

In addition, a sponsor can request breakthrough therapy designation for a drug if it is intended, alone or in combination with one or more other drugs, to treat a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. Drugs designated as breakthrough therapies are eligible for intensive guidance from the FDA on an efficient drug development program, organizational commitment to the development and review of the product including involvement of senior managers, and, like fast track products, are also eligible for rolling review of the NDA. Both fast track and breakthrough therapy products are also eligible for accelerated approval and/or priority review, if relevant criteria are met.

Under the FDA's accelerated approval regulations, the FDA may approve a drug for a serious or life threatening illness that provides meaningful therapeutic benefit to patients over existing treatments based upon a surrogate endpoint that is reasonably likely to predict clinical benefit, or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality, that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit, taking into account

the severity, rarity, or prevalence of the condition and the availability or lack of alternative treatments. A drug candidate approved on this basis is subject to rigorous post marketing compliance requirements, including the completion of Phase 4 or post approval clinical trials to confirm the effect on the clinical endpoint. Failure to conduct required post approval studies, or confirm a clinical benefit during post marketing studies, will allow the FDA to withdraw the drug from the market on an expedited basis. All promotional materials for drug candidates approved under accelerated approval regulations are subject to prior review by the FDA.

Once an NDA is submitted for a product intended to treat a serious condition, the FDA may assign a priority review designation if FDA determines that the product, if approved, would provide a significant improvement in safety or effectiveness. A priority review means that the goal for the FDA to review an application is six months, rather than the standard review of ten months under current The Prescription Drug User Fee Act, or PDUFA, guidelines. Under the current PDUFA agreement, these six and ten month review periods are measured from the 60-day filing date rather than the receipt date for NDAs for new molecular entities, which typically adds approximately two months to the timeline for review from the date of submission. Most products that are eligible for fast track breakthrough therapy designation are also likely to be considered appropriate to receive a priority review.

Even if a product qualifies for one or more of these programs, the FDA may later decide that the product no longer meets the conditions for qualification or decide that the time period for FDA review or approval will not be shortened. In addition, the manufacturer of an investigational drug for a serious or life threatening disease is required to make available, such as by posting on its website, its policy on responding to requests for expanded access. Furthermore, fast track designation, breakthrough therapy designation, accelerated approval and priority review do not change the standards for approval and may not ultimately expedite the development or approval process.

NDA Submission and Review by the FDA

Assuming successful completion of the required clinical and preclinical testing, among other items, the results of product development, including chemistry, manufacture and controls, nonclinical studies and clinical trials are submitted to the FDA, along with proposed labeling, as part of an NDA. The submission of an NDA requires payment of a substantial user fee to the FDA. These user fees must be filed at the time of the first submission of the application, even if the application is being submitted on a rolling basis. Fee waivers or reductions are available in some circumstances. One basis for a waiver of the application user fee is if the applicant employs fewer than 500 employees, including employees of affiliates, the applicant does not have an approved marketing application for a product that has been introduced or delivered for introduction into interstate commerce, and the applicant, including its affiliates, is submitting its first marketing application.

In addition, under the Pediatric Research Equity Act, an NDA or supplement to an NDA for a new active ingredient, indication, dosage form, dosage regimen or route of administration must contain data that are adequate to assess the safety and efficacy of the drug for the claimed indications in all relevant pediatric subpopulations, and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective.

The FDA may, on its own initiative or at the request of the applicant, grant deferrals for submission of some or all pediatric data until after approval of the product for use in adults or full or partial waivers from the pediatric data requirements.

The FDA must refer applications for drugs that contain active ingredients, including any ester or salt of the active ingredients, that have not previously been approved by the FDA to an advisory committee or provide in an action letter a summary of the reasons for not referring it to an advisory committee. The FDA may also refer drugs which present difficult questions of safety, purity or potency to an advisory committee. An advisory committee is typically a panel that includes clinicians and other

experts who review, evaluate and make a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions.

The FDA reviews applications to determine, among other things, whether a product is safe and effective for its intended use and whether the manufacturing controls are adequate to assure and preserve the product's identity, strength, quality and purity. Before approving an NDA, the FDA will inspect the facility or facilities where the product is manufactured. The FDA will not approve an application unless it determines that the manufacturing processes and facilities, including contract manufacturers and subcontracts, are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving an NDA, the FDA will typically inspect one or more clinical trial sites to assure compliance with GCPs.

Once the FDA receives an application, it has 60 days to review the NDA to determine if it is substantially complete to permit a substantive review, before it accepts the application for filing. Once the submission is accepted for filing, the FDA begins an in-depth review of the NDA. The FDA's NDA review times may differ based on whether the application is a standard review or priority review application. The FDA may give a priority review designation to drugs that are intended to treat serious conditions and provide significant improvements in the safety or effectiveness of the treatment, diagnosis, or prevention of serious conditions. Under the goals and policies agreed to by the FDA under PDUFA, the FDA has set the review goal of 10 months from the 60-day filing date to complete its initial review of a standard NDA for a new molecular entity, or NME, and make a decision on the application. For non-NME standard applications, the FDA has set the review goal of 10 months from the date that the FDA receives the application to complete its initial review and to make a decision on the application. For priority review applications, the FDA has set the review goal of reviewing NME NDAs within six months of the 60-day filing date and non-NME applications within six months of the date that the FDA receives the application. Such deadlines are referred to as the PDUFA date. The PDUFA date is only a goal and the FDA does not always meet its PDUFA dates. The review process and the PDUFA date may also be extended if the FDA requests or the NDA sponsor otherwise provides additional information or clarification regarding the submission.

Once the FDA's review of the application is complete, the FDA will issue either a Complete Response Letter, or CRL, or approval letter. A CRL indicates that the review cycle of the application is complete and the application is not ready for approval. A CRL generally contains a statement of specific conditions that must be met in order to secure final approval of the NDA and may require additional clinical or preclinical testing, or other information or analyses in order for the FDA to reconsider the application. The FDA has the goal of reviewing 90% of application resubmissions in either two or six months of the date that the FDA receives the application, depending on the kind of resubmission. Even with the submission of additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval. If and when those conditions have been met to the FDA's satisfaction, the FDA may issue an approval letter. An approval letter authorizes commercial marketing of the drug with specific prescribing information for specific indications.

The FDA may delay or refuse approval of an NDA if applicable regulatory criteria are not satisfied, require additional testing or information and/or require post-marketing testing and surveillance to monitor safety or efficacy of a product, or impose other conditions, including distribution restrictions or other risk management mechanisms. For example, the FDA may require a REMS as a condition of approval or following approval to mitigate any identified or suspected serious risks and ensure safe use of the drug. The FDA may prevent or limit further marketing of a product, or impose additional post-marketing requirements, based on the results of post-marketing studies or surveillance programs. After approval, some types of changes to the approved product, such as adding new indications, manufacturing changes and additional labeling claims, are subject to further testing

requirements, FDA notification and FDA review and approval. Further, should new safety information arise, additional testing, product labeling or FDA notification may be required.

If regulatory approval of a product is granted, such approval may entail limitations on the indicated uses for which such product may be marketed or may include contraindications, warnings or precautions in the product labeling, which has resulted in a Black Box warning. A Black Box warning is the strictest warning put in the labeling of prescription drugs or drug products by the FDA when there is reasonable evidence of an association of a serious hazard with the drug. The FDA also may not approve the inclusion of labeling claims necessary for successful marketing. Once approved, the FDA may withdraw the product approval if compliance with pre- and post-marketing regulatory standards is not maintained or if problems occur after the product reaches the marketplace. In addition, the FDA may require Phase 4 post-marketing studies to monitor the effect of approved products, and may limit further marketing of the product based on the results of these post-marketing studies.

Post-approval Requirements

Any products manufactured or distributed by us pursuant to FDA approvals are subject to continuing regulation by the FDA, including manufacturing, periodic reporting, product sampling and distribution, advertising, promotion, drug shortage reporting, compliance with any post-approval requirements imposed as a conditional of approval such as Phase 4 clinical trials, REMS and surveillance, recordkeeping and reporting requirements, including adverse experiences.

After approval, most changes to the approved product, such as adding new indications or other labeling claims are subject to prior FDA review and approval. There also are continuing, annual user fee requirements for any approved products and the establishments at which such products are manufactured, as well as new application fees for supplemental applications with clinical data. Drug manufacturers and their subcontractors are required to register their establishments with the FDA and certain state agencies and to list their drug products, and are subject to periodic announced and unannounced inspections by the FDA and these state agencies for compliance with cGMPs and other requirements, which impose procedural and documentation requirements upon us and our third-party manufacturers.

Changes to the manufacturing process are strictly regulated and often require prior FDA approval before being implemented, or FDA notification. FDA regulations also require investigation and correction of any deviations from cGMPs and specifications, and impose reporting and documentation requirements upon the sponsor and any third-party manufacturers that the sponsor may decide to use. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain cGMP compliance.

Later discovery of previously unknown problems with a product, including AEs of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in withdrawal of marketing approval, mandatory revisions to the approved labeling to add new safety information or other limitations, imposition of post-market studies or clinical trials to assess new safety risks, or imposition of distribution or other restrictions under a REMS program, among other consequences.

The FDA closely regulates the marketing and promotion of drugs. A company can make only those claims relating to safety and efficacy, purity and potency that are approved by the FDA. Physicians, in their independent professional medical judgement, may prescribe legally available products for uses that are not described in the product's labeling and that differ from those tested by us and approved by the FDA. We, however, are prohibited from marketing or promoting drugs for uses outside of the approved labeling.

In addition, the distribution of prescription pharmaceutical products, including samples, is subject to the Prescription Drug Marketing Act, or PDMA, which regulates the distribution of drugs and drug samples at the federal level, and sets minimum standards for the registration and regulation of drug distributors by the states. Both the PDMA and state laws limit the distribution of prescription pharmaceutical product samples and impose requirements to ensure accountability in distribution. The Drug Supply Chain Security Act also imposes obligations on manufacturers of pharmaceutical products related to product and tracking and tracing.

Failure to comply with any of the FDA's requirements could result in significant adverse enforcement actions. These include a variety of administrative or judicial sanctions, such as refusal to approve pending applications, license suspension or revocation, withdrawal of an approval, imposition of a clinical hold or termination of clinical trials, warning letters, untitled letters, cyber letters, modification of promotional materials or labeling, product recalls, product seizures or detentions, refusal to allow imports or exports, total or partial suspension of production or distribution, debarment, injunctions, fines, consent decrees, corporate integrity agreements, refusals of government contracts and new orders under existing contracts, exclusion from participation in federal and state healthcare programs, restitution, disgorgement or civil or criminal penalties, including fines and imprisonment. It is also possible that failure to comply with the FDA's requirements relating to the promotion of prescription drugs may lead to investigations alleging violations of federal and state healthcare fraud and abuse and other laws, as well as state consumer protection laws. Any of these sanctions could result in adverse publicity, among other adverse consequences.

Other Healthcare Regulations

Our business activities, including but not limited to, research, sales, promotion, distribution, medical education and other activities are subject to regulation by numerous regulatory and law enforcement authorities in the United States in addition to the FDA, including the Department of Justice, the Department of Health and Human Services, or HHS, and its various divisions, including CMS and the Health Resources and Services Administration, the Department of Veterans Affairs, the Department of Defense and state and local governments. Our business activities must comply with numerous healthcare laws and regulations, including those described below.

The federal Anti-Kickback Statute prohibits, among other things, any person or entity, from knowingly and willfully offering, paying, soliciting or receiving any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, to induce or reward, or in return for, the referral of an individual for, or purchasing, leasing, ordering, or arranging for the purchase, lease or order of, any good, facility, item or service reimbursable under Medicare, Medicaid or other federal healthcare programs. The Anti-Kickback Statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand and prescribers, purchasers, and formulary managers on the other hand. The term remuneration has been interpreted broadly to include anything of value. There are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution. The exceptions and safe harbors are drawn narrowly and require strict compliance in order to offer protection. Practices that involve remuneration that may be alleged to be intended to induce prescribing, purchasing or recommending may be subject to scrutiny if they do not qualify for an exception or safe harbor. Failure to meet all of the requirements of a particular applicable statutory exception or regulatory safe harbor does not make the conduct per se illegal under the federal Anti-Kickback Statute. Instead, the legality of the arrangement will be evaluated on a case-by-case basis based on a cumulative review of all of its facts and circumstances. Additionally, the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively the ACA, amended the intent requirement of the federal Anti-Kickback Statute, and other healthcare criminal fraud statutes, so that a person or entity no longer needs to have actual knowledge of the federal Anti-Kickback Statute, or the specific intent to violate it, to have violated the statute. The ACA also provided that a violation of the federal Anti-Kickback Statute is grounds for the

government or a whistleblower to assert that a claim for payment of items or services resulting from such violation constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act, or FCA.

The federal civil and criminal false claims laws, including the FCA, prohibit, among other things, any person or entity from knowingly presenting, or causing to be presented, a false claim for payment to, or approval by, the U.S. federal government, including the Medicare and Medicaid programs, or knowingly making, using, or causing to be made or used a false record or statement material to a false or fraudulent claim or to avoid, decrease or conceal an obligation to pay money to the federal government. As a result of a modification made by the Fraud Enforcement and Recovery Act of 2009, a claim includes "any request or demand" for money or property presented to the U.S. government. In addition, manufacturers can be held liable under the FCA even when they do not submit claims directly to government payors if they are deemed to "cause" the submission of false or fraudulent claims. The FCA also permits a private individual acting as a "whistleblower" to bring actions on behalf of the federal government alleging violations of the FCA and to share in any monetary recovery. FCA liability is potentially significant in the healthcare industry because the statute provides for treble damages and mandatory penalties. Government enforcement agencies and private whistleblowers have investigated pharmaceutical companies for or asserted liability under the FCA for a variety of alleged promotional and marketing activities, such as providing free products to customers with the expectation that the customers would bill federal programs for the products; providing consulting fees and other benefits to physicians to induce them to prescribe products; engaging in promotion for "off-label" uses; and submitting inflated best price information to the Medicaid Rebate Program.

As a condition of receiving Medicaid coverage for prescription drugs, the Medicaid Drug Rebate Program requires manufacturers to calculate and report to CMS their Average Manufacturer Price, or AMP, which is used to determine rebate payments shared between the states and the federal government and, for some multiple source drugs, Medicaid payment rates for the drug, and for drugs paid under Medicare Part B, to also calculate and report their average sales price, which is used to determine the Medicare Part B payment rate for the drug. In January 2016, CMS issued a final rule regarding the Medicaid Drug Rebate Program, or MDRP, effective April 1, 2016, that, among other things, revised the manner in which the AMP is calculated by manufacturers participating in the program and implemented certain amendments to the Medicaid rebate statute created under the ACA. In addition, the MDRP requires pharmaceutical manufacturers to enter into and have in effect a National Drug Rebate Agreement, or NDRA, with the Secretary of HHS as a condition for states to receive federal matching funds for the manufacturer's outpatient drugs furnished to Medicaid patients. On March 23, 2018, CMS finalized updates to the NDRA, or the Updated NDRA, to incorporate a number legislative and regulatory changes, including changes to align with certain provisions of the ACA.

Drugs that are approved under a biologics license application, or BLA, or an NDA, including a 505(b)(2) NDA, are subject to an additional requirement to calculate and report the manufacturer's best price for the drug and inflation penalties which can substantially increase rebate payments. For BLA and NDA drugs, the Veterans Health Care Act requires manufacturers to calculate and report to the Department of Veterans Affairs a different price called the Non-Federal AMP, offer the drugs for sale on the Federal Supply Schedule, and charge the government no more than a statutory price referred to as the Federal Ceiling Price, which includes an inflation penalty. A separate law requires manufacturers to pay rebates on these drugs when paid by the Department of Defense under its TRICARE Retail Pharmacy Program. Knowingly submitting false pricing information to the government creates potential federal False Claims Act liability.

HIPAA created additional federal criminal statutes that prohibits, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of

whether the payor is public or private, knowingly and willfully embezzling or stealing from a health care benefit program, willfully obstructing a criminal investigation of a health care offense and knowingly and willfully falsifying, concealing or covering up by any trick, scheme or device a material fact or making any materially false, fictitious or fraudulent statements in connection with the delivery of, or payment for, healthcare benefits, items or services relating to healthcare matters. Additionally, the ACA amended the intent requirement of some of these criminal statutes under HIPAA so that a person or entity no longer needs to have actual knowledge of the statute, or the specific intent to violate it, to have committed a violation.

Additionally, the federal Open Payments program pursuant to the Physician Payments Sunshine Act, created under Section 6002 of the ACA and its implementing regulations, requires some manufacturers of drugs, devices, biologicals and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with specified exceptions) to report annually information related to specified payments or other transfers of value provided to physicians, as defined by such law, and teaching hospitals, or to entities or individuals at the request of, or designated on behalf of, the physicians and teaching hospitals and to report annually specified ownership and investment interests held by physicians and their immediate family members. Beginning in 2022, applicable manufacturers also will be required to report such information regarding payments and transfers of value provided, as well as ownership and investment interests held, during the previous year to physician assistants, nurse practitioners, clinical nurse specialists, certified nurse anesthetists and certified nurse midwives. Failure to submit timely, accurately and completely the required information for all payments, transfers of value and ownership or investment interests may result in civil monetary penalties.

In addition, we may be subject to data privacy and security regulation by both the federal government and the states in which we conduct our business. HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and their implementing regulations, impose requirements relating to the privacy, security and transmission of individually identifiable health information held by covered entities and their business associates. Among other things, HITECH makes HIPAA's security standards directly applicable to business associates, defined as independent contractors or agents of covered entities that create, receive, maintain or transmit protected health information in connection with providing a service for or on behalf of a covered entity. HITECH also created new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorneys' fees and costs associated with pursuing federal civil actions.

Many states have also adopted laws similar to each of the above federal laws, which may be broader in scope and apply to items or services reimbursed by any third-party payor, including commercial insurers. We may also be subject to state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government, and/or state laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures and pricing information, state and local laws that require the registration of pharmaceutical sales representatives, and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

Ensuring that our internal operations and business arrangements with third parties comply with applicable healthcare laws and regulations will likely be costly. It is possible that governmental authorities will conclude that our business practices do not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations were found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative

penalties, damages, fines, disgorgement, individual imprisonment, possible exclusion from government funded healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, additional reporting obligations and oversight if we become subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, and curtailment of our operations, any of which could substantially disrupt our operations. If the physicians or other providers or entities with whom we expect to do business are found not to be in compliance with applicable laws, they may be subject to significant criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

Coverage and Reimbursement

Our ability to commercialize any products successfully will also depend in part on the extent to which coverage and adequate reimbursement for the procedures utilizing our product candidates, performed by health care providers, once approved, will be available from government health administration authorities, private health insurers and other organizations. Government authorities and other third-party payors, such as private health insurers and health maintenance organizations, determine which procedures, and the products utilized in such procedures, they will cover and establish reimbursement levels. Assuming coverage is obtained for procedures utilizing a given product, by a third-party payor, the resulting reimbursement payment rates may not be adequate or may require co-payments that patients find unacceptably high. Patients who undergo procedures for the treatment of their conditions, and their treating physicians, generally rely on third-party payors to reimburse all or part of the costs associated with the procedures which utilize our products. Treating physicians are unlikely to use and order our products unless coverage is provided and the reimbursement is adequate to cover all or a significant portion of the cost of the procedures which utilize our products. Therefore, coverage and adequate reimbursement for procedures which utilize new products is critical to the acceptance of such new products. Coverage decisions may depend upon clinical and economic standards that disfavor new products when more established or lower cost therapeutic alternatives are already available or subsequently become available.

By way of example, in the United States, Congress created a New Technology Add-On Payment, or NTAP, pathway for innovative therapies used to treat Medicare beneficiaries in the hospital inpatient setting, provided that such therapies meet certain criteria, including, without limitation, demonstrating a substantial clinical improvement relative to services or technologies previously available. An NTAP provides additional payment to hospitals above the standard Medicare Severity Diagnosis-Related Group, or DRG, payment amount, under the inpatient prospective payment system. When criteria are met, CMS may provide incremental reimbursement for up to 65% of the cost of therapy, in addition to the standard DRG payment. We can provide no assurances, however, that we will seek, or whether CMS would approve a NTAP, for our product candidates, if approved.

Government authorities and other third-party payors are developing increasingly sophisticated methods of cost containment, such as including price controls, restrictions on coverage and reimbursement and requirements for substitution of less expensive products and procedures. Government and other third-party payors are increasingly challenging the prices charged for health care products and procedures, examining the cost effectiveness of procedures, and the products used in such procedures, in addition to their safety and efficacy, and limiting or attempting to limit both coverage and the level of reimbursement. Further, no uniform policy requirement for coverage and reimbursement exists among third-party payors in the United States, which causes significant uncertainty related to the insurance coverage and reimbursement of newly approved products, and the procedures which may utilize such newly approved products. Therefore, coverage and reimbursement can differ significantly from payor to payor and health care provider to health care provider. As a result, the coverage determination process is often a time-consuming and costly process that requires the provision of scientific and clinical support for the use of new products to each payor separately,

with no assurance that coverage and adequate reimbursement will be applied consistently or obtained in the first instance.

There may be significant delays in obtaining coverage and reimbursement for newly approved products, and coverage may be more limited than the purposes for which the product is approved by the FDA. Moreover, eligibility for coverage and reimbursement does not imply that a product, or the procedures which utilize such product, will be paid for in all cases or at a rate which the health care providers who purchase those products will find cost effective. Additionally, we expect pricing pressures in connection with the sale of any of our product candidates due to the trend toward managed healthcare, the increasing influence of health maintenance organizations, and additional legislative changes.

We cannot be sure that coverage and reimbursement will be available for any product that we commercialize, or the procedures which utilize such product, and, if reimbursement is available, what the level of reimbursement will be. Coverage and reimbursement may impact the demand for, or the price of, any product candidate for which we obtain marketing approval. If coverage and reimbursement are not available or reimbursement is available only to limited levels, we may not successfully commercialize any product candidate for which we obtain marketing approval.

Healthcare Reform Measures

The United States and some non-U.S. jurisdictions are considering or have enacted a number of legislative and regulatory proposals designed to change the healthcare system. Among policy makers and payors in the United States and elsewhere, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality and/or expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives.

For example, the pharmaceutical industry in the United States has been affected by the passage of ACA, which, among other things: imposed new fees on entities that manufacture or import certain branded prescription drugs; expanded pharmaceutical manufacturer obligations to provide discounts and rebates to certain government programs; implemented a licensure framework for follow-on biologic products; expanded health care fraud and abuse laws; revised the methodology by which rebates owed by manufacturers to the state and federal government under the Medicaid Drug Rebate Program are calculated for certain drugs and biologics, including products that are inhaled, infused, instilled, implanted or injected; imposed an additional rebate similar to an inflation penalty on new formulations of drugs; extended the Medicaid Drug Rebate Program to utilization of prescriptions of individuals enrolled in Medicaid managed care organizations; expanded the 340B program which caps the price at which manufacturers can sell covered outpatient pharmaceuticals to specified hospitals, clinics and community health centers; and provided incentives to programs that increase the federal government's comparative effectiveness research.

There remain judicial and Congressional challenges to certain aspects of the ACA, as well as efforts by the Trump administration to repeal or replace certain aspects of the ACA. Since January 2017, President Trump has signed two Executive Orders and other directives designed to delay the implementation of certain provisions of the ACA or otherwise circumvent some of the requirements for health insurance mandated by the ACA. Concurrently, Congress has considered legislation that would repeal or repeal and replace all or part of the ACA. While Congress has not passed comprehensive repeal legislation, several bills affecting the implementation of certain taxes under the ACA have been signed into law. The Tax Act includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate". Additionally, the 2020 federal spending package permanently eliminated, effective January 1, 2020, the ACA-mandated "Cadillac" tax on high-cost employer-sponsored health coverage and medical

device tax and, effective January 1, 2021, also eliminates the health insurer tax. Further, the Bipartisan Budget Act of 2018, or the BBA, among other things, amended the ACA, effective January 1, 2019, to increase from 50 percent to 70 percent the point-of-sale discount that is owed by pharmaceutical manufacturers who participate in Medicare Part D and to close the coverage gap in most Medicare drug plans, commonly referred to as the "donut hole". On December 14, 2018, a Texas U.S. District Court Judge ruled that the ACA is unconstitutional in its entirety because the "individual mandate" was repealed by Congress as part of the Tax Act. On December 18, 2019, the U.S. Court of Appeals for the 5th Circuit upheld the District Court ruling that the individual mandate was unconstitutional and remanded the case back to the District Court to determine whether the remaining provisions of the ACA are invalid as well. On March 2, 2020, the United States Supreme Court granted the petitions for writs of certiorari to review this case, and has allotted one hour for oral arguments, which are expected to occur in the fall. It is unclear such litigation and other efforts to repeal and replace the ACA will impact the ACA.

Other legislative changes have been proposed and adopted in the United States since the ACA was enacted. In August 2011, the Budget Control Act of 2011, among other things, included aggregate reductions of Medicare payments to providers of 2.0% per fiscal year, which went into effect in April 2013, and due to subsequent legislative amendments, including the BBA, will remain in effect through 2030, unless additional U.S. Congressional action is taken. The Coronavirus Aid, Relief and Economic Security Act, or CARES Act, which was signed into law in March 2020 and is designed to provide financial support and resources to individuals and businesses affected by the COVID-19 pandemic, suspended the 2% Medicare sequester from May 1, 2020 through December 31, 2020, and extended the sequester by one year, through 2030. In addition, in January 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, reduced Medicare payments to several categories of healthcare providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. Additionally, the Medicare Access and CHIP Reauthorization Act of 2015, or MACRA, ended the use of the statutory formula for clinician payment and established a quality payment incentive program, also referred to as the Quality Payment Program. This program provides clinicians with two ways to participate, including through the Advanced Alternative Payment Models, or APMs, and the Merit-based Incentive Payment System, or MIPS. In November 2019, CMS issued a final rule finalizing the changes to the Quality Payment Program. At this time, it is unclear how the introduction of the Quality Payment Program will impact overall physician reimbursement under the Medicare program. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors.

In addition, there has been particular and increasing legislative and enforcement interest in the United States with respect to drug pricing practices in recent years, particularly with respect to drugs that have been subject to relatively large price increases over relatively short time periods. Specifically, there have been several recent U.S. Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, reduce the cost of prescription drugs under Medicare and reform government program reimbursement methodologies for pharmaceutical products. The Trump administration's budget proposal for fiscal year 2021 includes a \$135 billion allowance to support legislative proposals seeking to reduce drug prices, increase competition, lower out-of-pocket drug costs for patients, and increase patient access to lower-cost generic and biosimilar drugs. On March 10, 2020, the Trump administration sent "principles" for drug pricing to Congress, calling for legislation that would, among other things, cap Medicare Part D beneficiary out-of-pocket pharmacy expenses, provide an option to cap Medicare Part D beneficiary monthly out-of-pocket expenses, and place limits on pharmaceutical price increases. Further, the Trump administration previously released a blueprint to lower drug prices and reduce out of pocket costs of drugs that contained proposals to increase drug manufacturer competition, increase the negotiating power of certain federal healthcare programs, incentivize manufacturers to lower the list price of their

products, and reduce the out of pocket costs of drug products paid by consumers. HHS has solicited feedback on some of these measures and has implemented others under its existing authority. For example, in May 2019, CMS issued a final rule to allow Medicare Advantage plans the option to use step therapy for Part B drugs beginning January 1, 2020. This final rule codified CMS's policy change that was effective January 1, 2019. Although a number of these and other measures may require additional authorization to become effective, Congress and the Trump administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs. In addition, individual states in the United States have become increasingly active in passing legislation and implementing regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. In the future, there will likely continue to be proposals relating to the reform of the U.S. healthcare system, some of which could further limit coverage and reimbursement of products. It is possible that additional governmental action is taken to address the COVID-19 pandemic. For example, on April 18, 2020, CMS announced that qualified health plan issuers under the ACA may suspend activities related to the collection and reporting of quality data that would have otherwise been reported between May and June 2020 given the challenges healthcare providers are facing responding to the COVID-19 virus.

The Foreign Corrupt Practices Act

The Foreign Corrupt Practices Act, or FCPA, prohibits any U.S. individual or business from paying, offering or authorizing payment or offering of anything of value, directly or indirectly, to any foreign official, political party or candidate for the purpose of influencing any act or decision of the foreign entity in order to assist the individual or business in obtaining or retaining business. The FCPA also obligates companies whose securities are listed in the United States to comply with accounting provisions requiring the companies to maintain books and records that accurately and fairly reflect all transactions of the companies, including international subsidiaries, and to devise and maintain an adequate system of internal accounting controls for international operations.

Non-U.S. Government Regulation

To the extent that any of our product candidates, once approved, are sold in a country outside of the United States, we will be subject to similar foreign laws and regulations, which may include, for instance, applicable post-marketing requirements, including safety surveillance, anti-fraud and abuse laws and implementation of corporate compliance programs and reporting of payments or other transfers of value to healthcare professionals.

In order to market our future products in the EEA (which is comprised of the 28 Member States of the European Union plus Norway, Iceland and Liechtenstein) and many other foreign jurisdictions, we must obtain separate regulatory approvals. More concretely, in the EEA, medicinal products can only be commercialized after obtaining a Marketing Authorization, or MA. There are two types of marketing authorizations:

- the Community MA, which is issued by the European Commission through the Centralized Procedure, based on the opinion of the Committee for Medicinal Products for Human Use of the EMA, and which is valid throughout the entire territory of the EEA. The Centralized Procedure is mandatory for certain types of products, such as biotechnology medicinal products, orphan medicinal products and medicinal products indicated for the treatment of AIDS, cancer, neurodegenerative disorders, diabetes, auto-immune and viral diseases. The Centralized Procedure is optional for products containing a new active substance not yet authorized in the EEA, or for products that constitute a significant therapeutic, scientific or technical innovation or which are in the interest of public health in the European Union; and

- National MAs, which are issued by the competent authorities of the Member States of the EEA and only cover their respective territory, are available for products not falling within the mandatory scope of the Centralized Procedure. Where a product has already been authorized for marketing in a Member State of the EEA, this National MA can be recognized in another Member State through the Mutual Recognition Procedure. If the product has not received a National MA in any Member State at the time of application, it can be approved simultaneously in various Member States through the Decentralized Procedure.

Under the above described procedures, before granting the MA, the EMA or the competent authorities of the Member States of the EEA make an assessment of the risk-benefit balance of the product on the basis of scientific criteria concerning its quality, safety and efficacy.

Data and Marketing Exclusivity

In the EEA, new products authorized for marketing, or reference products, qualify for eight years of data exclusivity and an additional two years of market exclusivity upon marketing authorization. The data exclusivity period prevents generic or biosimilar applicants from relying on the pre-clinical and clinical trial data contained in the dossier of the reference product when applying for a generic or biosimilar marketing authorization in the European Union during a period of eight years from the date on which the reference product was first authorized in the European Union. The market exclusivity period prevents a successful generic or biosimilar applicant from commercializing its product in the European Union until 10 years have elapsed from the initial authorization of the reference product in the European Union. The 10-year market exclusivity period can be extended to a maximum of eleven years if, during the first eight years of those 10 years, the marketing authorization holder obtains an authorization for one or more new therapeutic indications which, during the scientific evaluation prior to their authorization, are held to bring a significant clinical benefit in comparison with existing therapies.

Pediatric Investigation Plan

In the EEA, marketing authorization applications for new medicinal products not authorized have to include the results of studies conducted in the pediatric population, in compliance with a pediatric investigation plan, or PIP, agreed with the EMA's Pediatric Committee, or PDCO. The PIP sets out the timing and measures proposed to generate data to support a pediatric indication of the drug for which marketing authorization is being sought. The PDCO can grant a deferral of the obligation to implement some or all of the measures of the PIP until there are sufficient data to demonstrate the efficacy and safety of the product in adults. Further, the obligation to provide pediatric clinical trial data can be waived by the PDCO when these data are not needed or appropriate because the product is likely to be ineffective or unsafe in children, the disease or condition for which the product is intended occurs only in adult populations, or when the product does not represent a significant therapeutic benefit over existing treatments for pediatric patients. Once the marketing authorization is obtained in all Member States of the European Union and study results are included in the product information, even when negative, the product is eligible for six months' supplementary protection certificate extension.

Employees

As of March 31, 2020, we had 57 full-time employees and one part-time employee, all of whom were based in Israel and one full time employee who is based in the United States. Of these employees, 46 are primarily engaged in research and development activities and 13 are primarily engaged in general and administrative matters. A total of 11 employees have a Medical Doctor or Doctor of Philosophy degree. None of our employees are represented by a labor union. We have never experienced any employment-related work stoppages and believe our relationships with our employees are good.

Israeli labor laws govern the length of the workday and workweek, minimum wages for employees, procedures for hiring and dismissing employees, determination of severance pay, annual leave, sick days, advance notice of termination, payments to the National Insurance Institute, and other conditions of employment and include equal opportunity and anti-discrimination laws. While none of our employees is party to any collective bargaining agreements, certain provisions of the collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordination Bureau of Economic Organizations (including the Industrialists' Associations) are applicable to our employees in Israel by order of the Israeli Ministry of Economy and Industry. These provisions primarily concern pension fund benefits for all employees, insurance for work-related accidents, recuperation pay and travel expenses. We generally provide our employees with benefits and working conditions beyond the required minimums.

Facilities

Our principal executive offices are located at 18 Hasivim Street, Petach Tikva 4959376, Israel, where we lease an approximately 33,500 square foot facility. This Israeli facility houses our administrative headquarters, research and development laboratories and state-of-the-art manufacturing facility. We also maintain an office at 47 Maple Street, Suite 302A, Summit, New Jersey, which serves as the headquarters for our U.S subsidiary.

Environmental, Health and Safety Matters

We are subject to extensive environmental, health and safety laws and regulations in a number of jurisdictions, primarily Israel, governing, among other things: the use, storage, registration, handling, emission and disposal of chemicals, waste materials and sewage; chemicals, air, water and ground contamination; air emissions and the cleanup of contaminated sites, including any contamination that results from spills due to our failure to properly dispose of chemicals, waste materials and sewage. Our operations use chemicals and produce waste materials and sewage and require permits from various governmental authorities including, local municipal authorities, the Ministry of Environmental Protection and the Ministry of Health. The Ministry of Environmental Protection and the MOH, local authorities and the municipal water and sewage company conduct periodic inspections in order to review and ensure our compliance with the various regulations. These laws, regulations and permits could potentially require the expenditure by us of significant amounts for compliance or remediation. If we fail to comply with such laws, regulations or permits, we may be subject to fines and other civil, administrative or criminal sanctions, including the revocation of permits and licenses necessary to continue our business activities. In addition, we may be required to pay damages or civil judgments in respect of third-party claims, including those relating to personal injury (including exposure to hazardous substances we use, store, handle, transport, manufacture or dispose of), property damage or contribution claims. Some environmental, health and safety laws allow for strict, joint and several liability for remediation costs, regardless of comparative fault. We may be identified as a responsible party under such laws. Such developments could have a material adverse effect on our business, financial condition and results of operations. In addition, laws and regulations relating to environmental, health and safety matters are often subject to change. In the event of any changes or new laws or regulations, we could be subject to new compliance measures or to penalties for activities that were previously permitted.

Legal Proceedings

We are not currently party to any material legal proceedings.

MANAGEMENT**Executive Officers and Directors**

The following table sets forth information regarding our executive officers and directors, including their ages as of June 1, 2020:

<u>Name</u>	<u>Age</u>	<u>Position</u>
<i>Executive Officers</i>		
Amir Weisberg	64	Chief Executive Officer and Director
Dikla Czaczkes Akselbrad	46	Executive Vice President and Chief Financial Officer
Noam Emanuel, Ph.D.	60	Chief Scientific Officer
Shaul Mukhtar, Ph.D.	64	Executive Vice President and Chief Operating Officer
Dalit Hazan	49	Vice President, Research and Development and Regulatory Affairs
Taunia Markvicka, Pharm.D.	51	Chief Operating Officer, PolyPid Inc.
<i>Non-Employee Directors</i>		
Jacob Harel	64	Chairman
Yechezkel Barenholz, Ph.D.	78	Director
Nir Dror	43	Director
Chaim Hurvitz	59	Director
Itzhak Krinsky, Ph.D.	67	Director
Anat Tsour Segal	53	Director
Robert B. Stein, M.D., Ph.D.	69	Director
Stanley Stern	63	Director

Executive Officers

Amir Weisberg has served as our Chief Executive Officer and a director since October 2010. From 2007 to 2010, Mr. Weisberg served as the chief executive officer of Implant Protection Ltd. He has over 20 years of entrepreneurial experience, including as chief executive officer of several startup companies in the life science sphere.

Dikla Czaczkes Akselbrad has served as our Executive Vice President and Chief Financial Officer since December 2016. Prior to that time, Ms. Czaczkes Akselbrad served as our Chief Strategy Officer from July 2014 to December 2016. She holds a B.A. in accounting and economics and an MBA in finance, both from Tel Aviv University, and is a certified public accountant in Israel.

Noam Emanuel, Ph.D. has served as our Chief Scientific Officer since April 2019. He previously served as a director from October 2008 to May 2020 and was our Chief Technology Officer from October 2010 to April 2019. Dr. Emanuel has over 15 years of experience in drug development, drug delivery and immunology, including with respect to local, systemic and trans-dermal drug delivery systems, as well as in imaging and diagnostics. He holds a Ph.D. in immunology and drug delivery from the Hebrew University of Jerusalem.

Shaul Mukhtar, Ph.D. has served as our Executive Vice President and Chief Operating Officer since February 2019. Dr. Mukhtar also serves as a consultant with L.S.M. consulting services, a position he has held since February 2018, and as an affiliated partner with the GlobalClose Alliances Group, a position he has held since July 2018. Dr. Mukhtar previously worked at Teva Pharmaceuticals Industries Ltd., most recently as the Senior Vice President, Chief Operating Officer and Regional Research and Development Manager for Teva Japan and South Korea from 2013 to December 2017. Dr. Mukhtar holds a Ph.D. in pharmaceutical sciences from Hebrew University of Jerusalem, and an MBA in international business administration from Tel Aviv University.

Dalit Hazan has served as our Vice President, Research and Development and Regulatory Affairs since March 2018. Prior to that time, Ms. Hazan was the head of Global Regulatory Affairs at Teva Pharmaceuticals Industries Ltd. From 2013 to April 2016. She holds a B.S. in biology and a M.S. in physiology and pharmacology from the Sackler Faculty of Medicine at Tel Aviv University.

Taunia Markvicka, Pharm.D. has served as Chief Operating Officer for PolyPid Inc., our U.S. subsidiary, since May 2019. Prior to that time, Dr. Markvicka served as the Chief Commercial Officer at Symbiomix Therapeutics, LLC from March 2016 to July 2018 and the Senior Vice President, Chief Commercial Officer at Pacira Pharmaceuticals, Inc. from January 2008 to January 2016. She served as a director of CorMedix from April 2014 to June 2017. She holds a B.S. in pharmacy from Creighton University, a Pharm.D. in pharmacy from the University of Nebraska and an M.B.A. from Saint Joseph's University.

Non-Employee Directors

Jacob Harel has served as a director since November 2017 and the chairman of our board of directors since December 2017. Mr. Harel currently serves as the Chief Executive Officer of The Harel Group, a consulting firm that provides business development support to pharmaceutical companies, which he founded in 2014. He holds a B.S. in economics from Haifa University and an M.B.A. from Tel Aviv University.

Yechezkel Barenholz, Ph.D. has served as a director since April 2008. Dr. Barenholz currently serves as head of the Laboratory of Membrane and Liposome Research at the Department of Biochemistry of the Hadassah Medical School at the Hebrew University of Jerusalem, a position he has held since 1978. He is the co-inventor of Doxil, the first nano-delivery system approved by the FDA. He holds a B.S., M.S. and Ph.D. in biochemistry from the Hebrew University of Jerusalem.

Nir Dror has served as a director since May 2020. Mr. Dror currently serves as the Chief Financial Officer of Aurum Ventures M.K.I. Ltd., a position he has held since 2013. He holds a B.A. and L.L.M. from Tel Aviv University and an M.B.A. from the University of Michigan.

Chaim Hurvitz has served as a director since February 2016. Mr. Hurvitz currently serves as Chief Executive Officer of CH Health, a private venture capital firm, a position he has held since May 2011. He served as chairman of Galmed Pharmaceuticals Ltd. from 2011 to December 2018 and a director of UroGen Pharma Ltd. from May 2013 to December 2017. He holds a B.A. in political science and economics from Tel Aviv University.

Itzhak Krinsky, Ph.D. has served as a director since January 2019. Dr. Krinsky previously worked at Teva Pharmaceuticals Industries Ltd., most recently as a Senior Executive, Special Assignments from May 2016 to February 2017 and as the Chairman of Teva Japan and South Korea and Head of Business Development, Asia Pacific from October 2012 to April 2016. Dr. Krinsky served as a director of Kamada Ltd. from November 2017 to November 2019. He holds a B.A. and M.A. in economics from Tel Aviv University and a Ph.D. in economics from McMaster University.

Anat Tsour Segal has served as a director since April 2008. Ms. Segal founded Anat Segal Consulting & Technology Investments, an independent consulting and investment banking practice advising Israeli technology and healthcare companies, in January 2000. She has served as Chief Executive Officer of Capital Nature since October 2018. From April 2003 to February 2016, she also served as the founder, chief executive officer and a director of Xenia Venture Capital. She holds a B.A. in economics and management, an M.B.A. in finance and an LL.B. from Tel Aviv University.

Robert B. Stein, M.D., Ph.D., has served as a director since June 2020. Dr. Stein currently serves as an Operating Partner at Samsara BioCapital, a position he has held since January 2018, and he is the Principal Consultant at RBS Biotech Consulting, LLC, which he founded in August 2008. He previously served as the Chief Scientific Officer and Head of Research and Development of Agenus Inc. from January 2014 to January 2016 and as the President of Research and Development from January 2016 to

April 2017. He has served on the boards of directors of Protagenic Therapeutics, Inc. since February 2016 and Taro Pharmaceutical Industries Ltd. since February 2020. In August 2012, Dr. Stein filed a petition for personal bankruptcy under Chapter 7 and Chapter 11 of the federal bankruptcy laws, which was subsequently discharged in May 2013. He holds a B.S. in biology and chemistry from Indiana University and an M.D. and a Ph.D. in physiology and pharmacology from Duke University.

Stanley Stern has served as a director since June 2020. Mr. Stern currently serves as the President of Alnitak Capital Partners, a position he has held since he co-founded the firm in February 2013. He has served as the chairman of the board of directors of Audiocodes Ltd. since December 2012 and has served as a member of the board of directors of Foamix, Ltd. since 2014, Ormat Technologies, Inc. since November 2015 and Ekso Bionics Holdings, Inc. since December 2014. He holds a B.A. in economics and accounting from the City University of New York, Queens College and an M.B.A. from Harvard University.

Arrangements Concerning Election of Directors; Family Relationships

Our board of directors consists of seven directors, each of whom will continue to serve pursuant to their appointment until the first annual general meeting of shareholders held after this offering. We are not a party to, and are not aware of, any voting agreements among our shareholders. In addition, there are no family relationships among our executive officers and directors.

Corporate Governance Practices

Companies incorporated under the laws of the State of Israel whose shares are publicly traded, including companies with shares listed on The Nasdaq Global Market, are considered public companies under Israeli law and are required to comply with various corporate governance requirements under Israeli law relating to such matters as the composition and responsibilities of the audit committee and the compensation committee (subject to certain exceptions that we intend to utilize), and a requirement to have an internal auditor. This is the case even if our shares are not listed on the Tel Aviv Stock Exchange, or TASE, which our shares are not expected to be. These requirements are in addition to the corporate governance requirements imposed by the rules of The Nasdaq Global Market, or the Nasdaq Rules, and other applicable provisions of U.S. securities laws to which we will become subject (as a foreign private issuer) upon the closing of this offering and the listing of our ordinary shares on The Nasdaq Global Market. Under the Nasdaq Rules, a foreign private issuer may generally follow its home country rules of corporate governance in lieu of the comparable requirements of the Nasdaq Rules, except for certain matters including the composition and responsibilities of the audit committee.

We intend to rely on this "home country practice exemption" with respect to the following Nasdaq requirements:

- *Quorum.* As permitted under the Israeli Companies Law and pursuant to our amended and restated articles of association to be effective upon the closing of this offering, the quorum required for an ordinary meeting of shareholders will consist of at least two shareholders present in person, by proxy or by other voting instrument in accordance with the Israeli Companies Law, who hold at least 33¹/₃% of the voting power of our shares. A meeting adjourned for lack of a quorum is generally adjourned to the same day in the following week at the same time and place or to a later time or date if so specified in the summons or notice of the meeting. At the reconvened meeting, in general any shareholder present in person or by proxy shall constitute a lawful quorum, instead of 33¹/₃% of the issued share capital required under the Nasdaq Rules.
- *Proxy Statements.* We will not be required to and, in reliance on home country practice, we do not intend to comply with certain Nasdaq Rules regarding the provision of proxy statements for general meetings of shareholders. Israeli corporate law does not have a regulatory regime for the solicitation of proxies. We intend to provide notice convening an annual general meeting, including an agenda and other relevant documents.

- *Shareholder Approval.* We will not be required to and, in reliance on home country practice, we do not intend to comply with certain Nasdaq Rules regarding shareholder approval for certain issuances of securities under Nasdaq Rule 5635. In particular, under the Nasdaq Rules, shareholder approval is generally required for: (i) an acquisition of shares or assets of another company that involves the issuance of 20% or more of the acquirer's shares or voting rights or if a director, officer or 5% shareholder has greater than a 5% interest (or such persons collectively have a 10% or greater interest) in the target company or the assets to be acquired or the consideration to be received and the present or potential issuance of ordinary shares, or securities convertible into or exercisable for ordinary shares, could result in an increase in outstanding common shares or voting power of 5% or more; (ii) the issuance of shares leading to a change of control; (iii) adoption or amendment of a stock option or purchase plan or other equity compensation arrangements, pursuant to which stock may be acquired by officers, directors, employees or consultants (with certain limited exception); and (iv) issuances of 20% or more of the shares or voting rights (including securities convertible into, or exercisable for, equity) of a listed company via a private placement (and/or via sales by directors or officers or 5% shareholders) if such equity is issued (or sold) at below the greater of the book or market value of shares. By contrast, under the Israeli Companies Law, the adoption of, and material changes to, equity-based compensation plans generally require the approval of the board of directors and the compensation committee of the board of directors (for details regarding the approvals required under the Israeli Companies Law for the approval of compensation of the chief executive officer, all other executive officers and directors, see below under "—Approval of Related Party Transactions under Israeli Law—Fiduciary Duties of Directors and Executive Officers—Disclosure of Personal Interests of an Office Holder and Approval of Certain Transactions," and "—Approval of Related Party Transactions under Israeli Law—Fiduciary Duties of Directors and Executive Officers—Disclosure of Personal Interests of a Shareholder and Approval of Certain Transactions" respectively).

Other than as stated above, we currently intend to take all actions necessary for us to maintain compliance as a foreign private issuer under the applicable corporate governance requirements of the Sarbanes-Oxley Act of 2002, the rules adopted by the SEC and The Nasdaq Global Market's listing standards. Nevertheless, we may in the future decide to use the foreign private issuer exemption with respect to some or all of the other Nasdaq corporate governance rules. Following our home country governance practices, as opposed to the requirements that would otherwise apply to a company listed on Nasdaq, may provide less protection than is accorded to investors under the Nasdaq listing requirements applicable to domestic issuers. For more information, see "Risk Factors—As a foreign private issuer, we are permitted, and intend, to follow certain home country corporate governance practices instead of otherwise applicable Nasdaq requirements, and we will not be subject to certain U.S. securities laws including, but not limited to, U.S. proxy rules and the filing of certain Exchange Act reports."

Board Practices

Board of Directors

Under the Israeli Companies Law, our board of directors is responsible for setting our general policies and supervising the performance of management. Our board of directors may exercise all powers and may take all actions that are not specifically granted to our shareholders or to management. Our executive officers are responsible for our day-to-day management and have individual responsibilities established by our board of directors. Our Chief Executive Officer is appointed by, and serves at the discretion of, our board of directors, subject to the terms of the employment agreement that we have entered into with him. All other executive officers are also appointed by our board of directors, and are subject to the terms of any applicable employment agreements that we may enter into with them.

Under our amended and restated articles of association, to be effective upon the closing of this offering, our board of directors must consist of at least five directors and not more than eleven directors. Our board of directors will consist of nine directors upon the closing of this offering. Other than vacancies to be filled through selection by the remaining members of our board, the Israeli Companies Law and our amended and restated articles of association provide that directors are elected at the annual general meeting of our shareholders by a vote of the majority of the total voting power of our company voting in person, by proxy or by other voting instrument at that meeting. We have only one class of directors.

Under the Israeli Companies Law, our board of directors is required to employ independent judgment and discretion when voting, and is prohibited from entering into any voting arrangements with respect to actions taken at meetings of the board. Further, the Israeli Companies Law provides that in the event a director learns about an alleged breach of law or improper conduct of business relating to a company matter, said director must promptly take action to summon a meeting of the board of directors to address any such breach.

Notwithstanding the exemptions available to foreign private issuers under Nasdaq Rules, we intend to follow the requirements of the Nasdaq Rules with regard to the process of nominating directors by means of our compensation, nominating and corporate governance committee, which is comprised of directors who our board has deemed to be independent under Nasdaq Rules.

In addition, our amended and restated articles of association allows our board of directors to appoint directors to fill vacancies on our board of directors, including filling empty board seats up to the maximum number of directors permitted under our articles of association, for a term of office equal to the remaining period of the term of office of each director whose office has been vacated. Vacancies on our board of directors may be filled by a vote of a simple majority of the directors then in office. A director so appointed will hold office until the next annual general meeting of our shareholders in which the other directors then in office are proposed to be replaced or reappointed.

Directors may be removed from office by a resolution at a general meeting of shareholders adopted by a vote of 65% of the total voting power of our company in accordance with the Israeli Companies Law and our amended and restated articles of association.

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

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

Director Independence

Although not required of foreign private issuers under Nasdaq Rules, we intend to comply with the requirements thereunder applicable to domestic listed companies that a majority of the board of directors be deemed to be independent under such rules, as well as the independence requirements that would be applicable to our audit committee and compensation, nominating and corporate

governance committee if we were a domestic listed company, as described below. In light of this obligation, our board of directors has undertaken a review of the independence of our directors under current rules and regulations of the SEC and Nasdaq Rules and considered whether any of our directors has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. Based upon information requested from and provided by each director concerning such director's background, employment and affiliations, including family relationships, our board of directors determined that Messrs. Harel, Dror and Hurvitz, Ms. Segal and Drs. Barenholz, Krinsky and Stein, representing seven of our nine directors, are "independent directors" as defined under current rules and regulations of the SEC and Nasdaq Rules. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances that our board of directors deemed relevant in determining their independence, including the beneficial ownership of our share capital by each non-employee director and the transactions involving them described in "Certain Relationships and Related Party Transactions."

Leadership Structure of the Board

In accordance with the Israeli Companies Law and our amended and restated articles of association, our board of directors is required to appoint one of its members to serve as chairman of the board of directors. Our board of directors has appointed Jacob Harel to serve as chairman of the board of directors.

Board Committees

Under the Israeli Companies Law and our amended and restated articles of association, our board of directors is permitted to form committees, and to delegate to any such committee powers allotted to the board of directors, subject to certain exceptions. In general, the board of directors may overturn a resolution adopted by a committee it has formed; provided, however, that the board's decision shall not affect the ability of third parties, who were not aware of such decision, to rely on the committee's resolution prior to the time it is overturned. Only members of the board of directors can be members of a board committee, unless the committee is solely advisory.

Audit Committee

Following the listing of our ordinary shares on The Nasdaq Global Market, our audit committee will consist of Dr. Barenholz, Dr. Krinsky and Ms. Segal.

Israeli Companies Law Requirements

Under the Israeli Companies Law, we will be required to appoint an audit committee following the closing of this offering.

Nasdaq Listing Requirements

Under the Nasdaq Rules, we are required to maintain an audit committee consisting of at least three independent directors, each of whom is financially literate and one of whom has accounting or related financial management expertise. We are permitted to phase-in our compliance with the independent audit committee requirements set forth in the Nasdaq Rules and the SEC rules, as follows: (1) we must have one independent member at the time of listing, (2) we must have a majority of independent members within 90 days of listing and (3) we must have all independent members within one year of listing. We expect that, within 90 days of our listing on The Nasdaq Global Market, a third independent director for audit committee purposes (as determined under the Nasdaq Rules and the SEC rules) will have been added to our audit committee.

All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and The Nasdaq Global Market. Our board of directors has determined that each of Dr. Krinsky and Ms. Segal is an audit committee financial expert as such term is defined by the SEC rules and has the requisite financial experience as defined by the Nasdaq Rules. Each of the members of our audit committee is "independent" as such term is defined in Rule 10A-3(b)(1) under the Exchange Act and satisfies the independent director requirements under the Nasdaq Rules.

Audit Committee Role

Our audit committee charter, to be effective upon the listing of our shares on The Nasdaq Global Market, sets forth the responsibilities of the audit committee consistent with the rules and regulations of the SEC and the Nasdaq Rules, as well as the requirements for such committee under the Israeli Companies Law, including the following:

- oversight of our independent registered public accounting firm and recommending the engagement, compensation or termination of engagement of our independent registered public accounting firm to the board of directors in accordance with Israeli law;
- recommending the engagement or termination of the person filling the office of our internal auditor; and
- recommending the terms of audit and non-audit services provided by the independent registered public accounting firm for pre-approval by our board of directors.

Our audit committee provides assistance to our board of directors in fulfilling its legal and fiduciary obligations in matters involving our accounting, auditing, financial reporting, internal control and legal compliance functions by pre-approving the services performed by our independent accountants and reviewing their reports regarding our accounting practices and systems of internal control over financial reporting. Our audit committee also oversees the audit efforts of our independent accountants and takes those actions that it deems necessary to satisfy itself that the auditors are independent of management.

Under the Israeli Companies Law, our audit committee is responsible, among other things, for:

- determining whether there are deficiencies in the business management practices of our company, including in consultation with our internal auditor or the independent auditor, and making recommendations to the board of directors to improve such practices;
- determining whether to approve certain related party transactions (including transactions in which an office holder has a personal interest and whether such transaction is extraordinary or material under the Israeli Companies Law) (see "—Approval of Related Party Transactions under Israeli Law—Fiduciary Duties of Directors and Executive Officers");
- establishing the approval process for certain transactions with a controlling shareholder or in which a controlling shareholder has a personal interest;
- where the board of directors approves the working plan of the internal auditor, examining such working plan before its submission to the board of directors and proposing amendments thereto;
- examining our internal audit controls and internal auditor's performance, including whether the internal auditor has sufficient resources and tools to fulfill his responsibilities;
- examining the scope of our auditor's work and compensation and submitting a recommendation with respect thereto to our board of directors, depending on which of them is considering the appointment of our auditor; and
- establishing procedures for the handling of employees' complaints as to the management of our business and the protection to be provided to such employees.

Compensation, Nominating and Corporate Governance Committee and Compensation Policy

Upon the listing of our ordinary shares on The Nasdaq Global Market, we intend to establish a compensation, nominating and corporate governance committee. The composition of our compensation, nominating and corporate governance committee meets the requirements for and guidance under the Nasdaq Rules and current SEC rules and regulations applicable to domestic issuers. Following the listing of our ordinary shares on The Nasdaq Global Market, the members of this committee will be Mr. Dror, Dr. Krinsky and Ms. Segal, each of whom is independent in accordance with the Nasdaq rules.

Israeli Companies Law Requirements

Under the Israeli Companies Law, the board of directors of a public company must appoint a compensation committee.

The duties of the compensation committee under the Israeli Companies Law, include the recommendation to the company's board of directors of a policy regarding the terms of engagement of office holders, to which we refer as a compensation policy. That policy must be adopted by the company's board of directors, after considering the recommendations of the compensation, nominating and corporate governance committee, and will need to be approved by the company's shareholders, which approval requires what we refer to as a Special Majority Approval for Compensation. A Special Majority Approval for Compensation requires shareholder approval by a majority vote of the shares present and voting at a meeting of shareholders called for such purpose, provided that either: (i) such majority includes at least a majority of the shares held by all shareholders who are not controlling shareholders and do not have a personal interest in such compensation arrangement, excluding abstentions; or (ii) the total number of shares of non-controlling shareholders and shareholders who do not have a personal interest in the compensation arrangement and who vote against the arrangement does not exceed 2% of the company's aggregate voting rights. Our board of directors and our shareholders have approved a compensation policy to be effective in connection with, and upon the consummation of, this offering, which policy would be in effect until the fifth anniversary of this offering.

The compensation policy must (subject to certain exemptions) set the framework and limitation for decisions concerning the financial terms of employment or engagement of office holders, including exculpation, insurance, indemnification or any monetary payment or obligation of payment in respect of employment or engagement. The compensation policy must relate to certain factors, including advancement of the company's long-term objectives, business plan and policies, and creation of appropriate incentives for office holders. It must also consider, among other things, the company's risk management, size and the nature of its operations. The compensation policy must furthermore consider the following additional factors:

- the education, skills, expertise and accomplishments of the relevant office holder;
- the office holder's roles and responsibilities and prior compensation agreements with him or her;
- the relationship between the terms offered and the average compensation of the company's personnel;
- the impact of disparities in salary upon work relationships in the company;
- the possibility of reducing variable compensation at the discretion of the board of directors;
- the possibility of setting a limit on the exercise value of non-cash variable equity-based compensation; and

- as to financial payment upon termination of service, the period of service of the office holder, the terms of his or her compensation during such service period, the company's performance during that period of service, the person's contribution towards the company's achievement of its goals and the maximization of its profits, and the circumstances under which the person is leaving the company.

The compensation policy must also include the following principles:

- the link between variable compensation and long-term performance and measurable criteria;
- the relationship between variable and fixed compensation, and the ceiling for the value of variable compensation;
- the conditions under which an office holder would be required to repay compensation paid to him or her if it was later shown that the data upon which such compensation was based was inaccurate and was restated in the company's financial statements;
- the minimum holding or vesting period for variable, equity-based compensation; and
- maximum limits for financial payment upon termination of service.

Compensation, Nominating and Corporate Governance Committee Roles

The compensation, nominating and corporate governance committee is responsible for (i) recommending the compensation policy to our board of directors for its approval (and subsequent approval by our shareholders) and (ii) duties related to the compensation policy and to the compensation of our office holders, including:

- recommending whether a compensation policy should continue in effect, if the then-current policy has a term of greater than five years from a company's initial public offering, or otherwise three years (approval of either a new compensation policy or the continuation of an existing compensation policy must in any case occur five years from a company's initial public offering, or otherwise every three years);
- recommending to the board of directors periodic updates to the compensation policy;
- assessing implementation of the compensation policy;
- determining whether to approve the terms of compensation of certain office holders which, according to the Israeli Companies Law, require the committee's approval; and
- determining whether the limited conditions exist which would allow for the compensation terms of a candidate for the position of the chief executive officer not to be brought for approval by the shareholders.

Our compensation, nominating and corporate governance charter, to be effective upon the closing of this offering, sets forth the responsibilities of the compensation, nominating and corporate committee, which include:

- the responsibilities set forth in the compensation policy;
- reviewing and approving the granting of options and other incentive awards to the extent such authority is delegated by our board of directors; and
- reviewing, evaluating and making recommendations regarding the compensation and benefits for our non-employee directors.

In addition, our compensation, nominating and corporate governance committee is responsible for:

- overseeing our corporate governance functions on behalf of the board;

- making recommendations to the board regarding corporate governance issues;
- identifying and evaluating candidates to serve as our directors consistent with the criteria approved by the board;
- reviewing and evaluating the performance of the board;
- serving as a focal point for communication between director candidates, non-committee directors and our management;
- selecting or recommending to the board for selection candidates to the board; and
- making other recommendations to the board regarding affairs relating to our directors.

Disclosure of Compensation of Executive Officers

For so long as we qualify as a foreign private issuer, we are not required to comply with the proxy rules applicable to U.S. domestic companies, including the requirement applicable to emerging growth companies to disclose the compensation of our Chief Executive Officer, Chief Financial Officer and other three most highly compensated executive officers on an individual, rather than on an aggregate, basis. Nevertheless, under regulations promulgated under the Israeli Companies Law, we will be required, after we become a public company, to disclose the annual compensation of our five most highly compensated office holders (as defined under the Israeli Companies Law) on an individual basis. This disclosure will not be as extensive as that required of a U.S. domestic issuer. We intend to commence providing such disclosure, at the latest, in the notice (which is generally part of the proxy statement) for our first annual general meeting of shareholders following this offering, which will be furnished under cover of a Report of Foreign Private Issuer on Form 6-K, or we may elect to provide such information at an earlier date.

Internal Auditor

Under the Israeli Companies Law, the board of directors of an Israeli public company must appoint an internal auditor recommended by the audit committee. An internal auditor may not, among other things, be:

- a person (or a relative of a person) who holds 5% or more of the company's outstanding shares or voting rights;
- a person (or a relative of a person) who has the power to appoint a director or the general manager of the company;
- an office holder (including a director) of the company (or a relative thereof); or
- a member of the company's independent accounting firm, or anyone on its behalf.

The role of the internal auditor is to examine, among other things, our compliance with applicable law and orderly business procedures, and to report to the chief executive officer, the chairman of the board and the chairman of the audit committee. The internal auditor is entitled to receive notice of audit committee meetings and to participate in them. In addition, the internal auditor may request that the chairman of the audit committee convene a meeting within a reasonable time to discuss an issue raised by the internal auditor. The internal auditor is responsible for preparing a proposal for an annual or periodical audit plan and submit such plan to the board of directors or the audit committee for their approval. We intend to appoint an internal auditor following the closing of this offering.

Approval of Related Party Transactions under Israeli Law

Fiduciary Duties of Directors and Executive Officers

The Israeli Companies Law codifies the fiduciary duties that office holders owe to a company. Each person listed in the table under "—Executive Officers and Directors" is an office holder under the Israeli Companies Law.

An office holder's fiduciary duties consist of a duty of care and a duty of loyalty. The duty of care requires an office holder to act with the level of care with which a reasonable office holder in the same position would have acted under the same circumstances. The duty of loyalty includes an obligation that an office holder act in good faith and in the best interests of the company.

The duty of care includes a duty to use reasonable means to obtain:

- information on the advisability of a given action brought for his or her approval or performed by virtue of his or her position; and
- all other important information pertaining to any such action.

The duty of loyalty includes a duty to:

- refrain from any conflict of interest between the performance of his or her duties to the company and his or her other duties or personal affairs;
- refrain from any activity that is competitive with the company;
- refrain from exploiting any business opportunity of the company to receive a personal gain for himself or herself or others; and
- disclose to the company any information or documents relating to the company's affairs which the office holder received as a result of his or her position as an office holder.

Disclosure of Personal Interests of an Office Holder and Approval of Certain Transactions

The Israeli Companies Law requires that an office holder promptly disclose to the board of directors any personal interest that he or she may be aware of and all related material information or documents concerning any existing or proposed transaction with the company. An interested office holder's disclosure must be made promptly and in any event no later than the first meeting of the board of directors at which the transaction is considered. A personal interest includes an interest of any person in an action or transaction of a company, including a personal interest of such person's relative or of a corporate body in which such person or a relative of such person is a 5% or greater shareholder, director or general manager or in which he or she has the right to appoint at least one director or the general manager, but excluding a personal interest stemming from one's ownership of shares in the company.

A personal interest also includes the personal interest of a person for whom the office holder holds a voting proxy or the personal interest of the office holder with respect to his or her vote on behalf of a person for whom he or she holds a proxy even if such person has no personal interest in the matter.

If it is determined that an office holder has a personal interest in a non-extraordinary transaction, meaning any transaction that is in the ordinary course of business, on market terms or that is not likely to have a material impact on the company's profitability, assets or liabilities, approval by the board of directors is required for the transaction, unless the company's articles of association provide for a different method of approval. Any such transaction that is adverse to the company's interests may not be approved by the board of directors.

If it is determined that an office holder has a personal interest in a transaction, which is not an extraordinary transaction, approval by the board of directors is required for the transaction, unless the company's articles of association provide for a different method of approval. Further, so long as an office holder has disclosed his or her personal interest in a transaction, the board of directors may approve an action by the office holder that would otherwise be deemed a breach of his or her duty of loyalty. However, a company may not approve a transaction or action that is not in the company's interest or that is not performed by the office holder in good faith.

An extraordinary transaction in which an office holder has a personal interest requires approval first by the company's audit committee and subsequently by the board of directors.

The compensation of, or an undertaking to indemnify or insure, an office holder who is not a director generally requires approval first by the company's compensation committee, then by the company's board of directors. If such compensation arrangement or an undertaking to indemnify or insure is inconsistent with the company's stated compensation policy, or if the office holder is the chief executive officer (apart from a number of specific exceptions), then such arrangement is further subject to a Special Majority Approval for Compensation. If the shareholders of a company do not approve the compensation terms of office holders at a meeting of the shareholders, other than directors, the compensation committee and board of directors may override the shareholders' decision, subject to certain conditions. Arrangements regarding the compensation, indemnification or insurance of a director (who is not the chief executive officer) require the approval of the compensation committee, board of directors and shareholders by simple majority, in that order, and under certain circumstances, a Special Majority Approval for Compensation.

Generally, a person who has a personal interest in a matter which is considered at a meeting of the board of directors or the audit committee may not be present at such a meeting or vote on that matter unless the chairman of the audit committee or board of directors (as applicable) determines that he or she should be present in order to present the transaction that is subject to approval. If a majority of the members of the audit committee or the board of directors (as applicable) has a personal interest in the approval of a transaction, then all directors may participate in discussions of the audit committee or the board of directors (as applicable) on such transaction and the voting on approval thereof, but shareholder approval is also required for such transaction.

Disclosure of Personal Interests of Controlling Shareholders and Approval of Certain Transactions

Pursuant to Israeli law, the disclosure requirements regarding personal interests that apply to directors and executive officers also apply to a controlling shareholder of a public company. In the context of a transaction involving a controlling shareholder of the company or in which a controlling shareholder has an interest, a controlling shareholder also includes a shareholder who holds 25% or more of the voting rights in the company if no other shareholder holds more than 50% of the voting rights in the company. For this purpose, the holdings of all shareholders who have a personal interest in the same transaction will be aggregated.

The approval of the audit committee, the board of directors and the shareholders of the company, in that order, is required for (i) extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest, (ii) the engagement with a controlling shareholder or his or her relative, directly or indirectly, for the provision of services to the company, (iii) the terms of engagement and compensation of a controlling shareholder or his or her relative who is not an office holder or (iv) the employment of a controlling shareholder or his or her relative by the company, other

than as an office holder. In addition, the shareholder approval requires one of the following, which we refer to as a Special Majority:

- at least a majority of the shares held by all shareholders who do not have a personal interest in the transaction and who are present and voting at the meeting approves the transaction, excluding abstentions; or
- the shares voted against the transaction by shareholders who have no personal interest in the transaction and who are present and voting at the meeting do not exceed 2% of the aggregate voting rights in the company.

To the extent that any such transaction with a controlling shareholder is for a period extending beyond three years and under certain conditions, five years from a company's initial public offering, approval is required at the end of such period unless, with respect to certain transactions, the audit committee determines that the duration of the transaction is reasonable given the circumstances related thereto.

Arrangements regarding the compensation, indemnification or insurance of a controlling shareholder in his or her capacity as an office holder require the approval of the compensation committee, board of directors and shareholders by a Special Majority.

Pursuant to regulations promulgated under the Israeli Companies Law, certain transactions with a controlling shareholder or his or her relative, or with directors or other office holders, that would otherwise require approval of a company's shareholders may be exempt from shareholder approval under certain conditions.

Shareholder Duties

Pursuant to the Israeli Companies Law, a shareholder has a duty to act in good faith and in a customary manner toward the company and other shareholders and to refrain from abusing his or her power in the company, including, among other things, in voting at a general meeting and at shareholder class meetings with respect to the following matters:

- an amendment to the company's articles of association;
- an increase of the company's authorized share capital;
- a merger; or
- the approval of related party transactions and acts of office holders that require shareholder approval.

A shareholder also has a general duty to refrain from discriminating against other shareholders.

In addition, certain shareholders have a duty of fairness toward the company. These shareholders include a controlling shareholder, a shareholder who knows that he or she has the power to determine the outcome of a shareholder vote and a shareholder who has the power to appoint or to prevent the appointment of an office holder of the company or other power towards the company. The Israeli Companies Law does not define the substance of the duty of fairness, except to state that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty to act with fairness.

Exculpation, Insurance and Indemnification of Directors and Officers

Under the Israeli Companies Law, a company may not exculpate an office holder from liability for a breach of the duty of loyalty. An Israeli company may exculpate an office holder in advance from liability to the company, in whole or in part, for damages caused to the company as a result of a breach of duty of care but only if a provision authorizing such exculpation is included in its articles of association. Our amended and restated articles of association which will be effective upon the closing of this offering include such a provision. A company may not exculpate in advance a director from liability arising out of a breach of the duty of care with respect to a distribution.

Under the Israeli Companies Law, a company may indemnify an office holder in respect of the following liabilities and expenses incurred for acts performed by him or her as an office holder, either pursuant to an undertaking made in advance of an event or following an event, provided its articles of association include a provision authorizing such indemnification:

- financial liability imposed on him or her in favor of another person pursuant to a judgment, including a settlement or arbitrator's award approved by a court. However, if an undertaking to indemnify an office holder with respect to such liability is provided in advance, then such an undertaking must be limited to events which, in the opinion of the board of directors, can be foreseen based on the company's activities when the undertaking to indemnify is given, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and such undertaking shall detail the abovementioned foreseen events and amount or criteria;
- reasonable litigation expenses, including attorneys' fees, incurred by the office holder (1) as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (i) no indictment was filed against such office holder as a result of such investigation or proceeding, and (ii) no financial liability was imposed upon him or her as a substitute for the criminal proceeding as a result of such investigation or proceeding or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent; and (2) in connection with a monetary sanction;
- reasonable litigation expenses, including attorneys' fees, incurred by the office holder or imposed by a court in proceedings instituted against him or her by the company, on its behalf, or by a third party, or in connection with criminal proceedings in which the office holder was acquitted, or as a result of a conviction for an offense that does not require proof of criminal intent; and
- expenses incurred by an office holder in connection with an administrative procedure instituted against such office holder, or certain compensation payments made to an injured party imposed on an office holder by an administrative proceeding, pursuant to the Securities Law.

Under the Israeli Companies Law, a company may insure an office holder against the following liabilities incurred for acts performed by him or her as an office holder, if and to the extent provided in the company's articles of association:

- a breach of the duty of loyalty to the company, provided that the office holder acted in good faith and had a reasonable basis to believe that the act would not harm the company;
- a breach of the duty of care to the company or to a third party, to the extent such a breach arises out of the negligent conduct of the office holder; and
- a financial liability imposed on the office holder in favor of a third party.

Under the Israeli Companies Law, a company may not indemnify or insure an office holder against any of the following:

- a breach of a duty of loyalty, except for indemnification and insurance for a breach of the duty of loyalty to the company to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not harm the company;
- a breach of the duty of care committed intentionally or recklessly, excluding a breach arising out of the negligent conduct of the office holder;
- an act or omission committed with intent to derive illegal personal benefit; or
- a fine, civil fine, monetary sanction or forfeit levied against the office holder.

Under the Israeli Companies Law, exculpation, indemnification and insurance of office holders in a public company must be approved by the compensation committee and the board of directors and, with respect to certain office holders or under certain circumstances, also by the shareholders. See "—Approval of Related Party Transactions under Israeli Law—Fiduciary Duties of Directors and Executive Officers."

Our amended and restated articles of association to be effective upon the closing of this offering will permit us to exculpate, indemnify and insure our office holders to the fullest extent permitted or to be permitted by the Israeli Companies Law.

We intend to obtain directors and officers liability insurance for the benefit of our office holders and intend to increase such coverage in an amount standard for a company of our size prior to the closing of this offering. We intend to maintain such increased coverage and pay all premiums thereunder to the fullest extent permitted by the Israeli Companies Law. In addition, prior to the closing of this offering, we intend to enter into agreements with each of our directors and executive officers exculpating them from liability to us for damages caused to us as a result of a breach of duty of care and undertaking to indemnify them, in each case, to the fullest extent permitted by our amended and restated articles of association to be effective upon the closing of this offering and Israeli law, including with respect to liabilities resulting from this offering to the extent that these liabilities are not covered by insurance. In the opinion of the SEC, however, indemnification of directors and office holders for liabilities arising under the Securities Act is against public policy and therefore unenforceable.

Code of Business Conduct and Ethics

We have adopted, effective upon the consummation of this offering, a Code of Business Conduct and Ethics applicable to all of our directors and employees, including our Chief Executive Officer, Chief Financial Officer, controller or principal accounting officer, or other persons performing similar functions, which is a "code of ethics" as defined in Item 16B of Form 20-F promulgated by the SEC. Upon the effectiveness of the registration statement of which this prospectus forms a part, the full text of the Code of Business Conduct and Ethics will be posted on our website at www.polypid.com. Information contained on, or that can be accessed through, our website does not constitute a part of this prospectus and is not incorporated by reference herein. If we make any amendment to the Code of Business Conduct and Ethics or grant any waivers, including any implicit waiver, from a provision of the code of ethics, we will disclose the nature of such amendment or waiver on our website to the extent required by the rules and regulations of the SEC. Under Item 16B of Form 20-F, if a waiver or amendment of the Code of Business Conduct and Ethics applies to our principal executive officer, principal financial officer, principal accounting officer or controller and relates to standards promoting any of the values described in Item 16B(b) of Form 20-F, we are required to disclose such waiver or amendment on our website in accordance with the requirements of Instruction 4 to such Item 16B.

Compensation of Executive Officers and Directors

The aggregate compensation paid, and equity-based compensation and other payments expensed by us, to our directors and executive officers with respect to the year ended December 31, 2019 was \$3.2 million. This amount does not include business travel, relocation, professional and business association dues and expenses reimbursed to office holders, and other benefits commonly reimbursed or paid by companies in our industry.

As of December 31, 2019, options to purchase 1,046,912 ordinary shares granted to our directors and executive officers were outstanding under our 2012 Share Option Plan at a weighted average exercise price of \$5.05 per share. Such number, and the following table, excludes options to purchase up to 122,255 ordinary shares, which are contingent upon the closing of this offering. The following

table sets forth information regarding options granted to our executive officers and directors during the year ended December 31, 2019:

<u>Name</u>	<u>Grant Date</u>	<u>Stock Options</u>	<u>Exercise Price</u>	<u>Expiration Date</u>
Shaul Mukhtar	March 12, 2019	11,950	\$ 8.02	March 12, 2029
Taunia Markvicka	May 23, 2019	47,800	\$ 8.02	May 23, 2029
Jacob Harel	August 7, 2019	53,775	\$ 8.02	August 7, 2029
Itzhak Krinsky	August 7, 2019	17,925	\$ 8.65	August 7, 2029

Our Chief Executive Officer, Amir Weisberg, and our Chief Scientific Officer, Noam Emanuel, each will receive a bonus payment in the amount of up to \$500,000, and our Executive Vice President and Chief Financial Officer, Dikla Czaczkes Akselbrad, will receive a bonus payment in the amount of up to \$250,000. Further, Stanley Stern, a member of our board of directors, will be entitled to a cash fee of \$225,000 upon the closing of this offering pursuant to an advisory agreement. See "Certain Relationships and Related Party Transactions—Advisory Agreement with Stanley Stern."

The following table sets forth information regarding options granted to our director Chaim Hurvitz, the vesting of which is contingent upon the closing of this offering:

<u>Name</u>	<u>Grant Date</u>	<u>Stock Options</u>	<u>Exercise Price</u>	<u>Expiration Date</u>
Chaim Hurvitz	June 1, 2017	122,255	\$ 4.10	June 1, 2027

Our board of directors and our shareholders have approved a compensation policy to be effective upon the consummation of this offering, which will provide for cash and equity compensation to be paid to our non-employee directors for their service on the board of directors and its committees. Pursuant to the compensation policy, the maximum annual cash compensation to be paid for service on our board of directors is \$40,000, or \$60,000 for service as the chairperson of our board of directors. Pursuant to the compensation policy, we may engage a director as a service provider with annual compensation of up to \$250,000. In addition, pursuant to the compensation policy, we may also provide additional compensation for service on our board of directors committees as follows: \$7,500 for service on our audit committee, or \$15,000 for service as the chairperson of our audit committee, and \$5,000 for service on our compensation, nominating and corporate governance committee, or \$10,000 for service as the chairperson of our compensation, nominating and corporate governance committee. In addition, we intend to award equity compensation in the form of options to each of our non-employee directors who are serving as of the consummation of this offering to purchase ordinary shares with an exercise price equal to the public offering price in this offering, and for newly appointed directors thereafter, to award equity compensation in the form of options to purchase ordinary shares with an exercise price equal to the fair market value of the shares on the date of grant. We further intend to award on an annual basis equity compensation in the form of options to purchase ordinary shares with an exercise price equal to the fair market value of the shares on the date of grant to each of our non-employee directors. The ordinary shares to be issued to our non-employee directors would be awarded under the 2012 Plan and the awards to be granted thereunder will be subject to the provisions thereof, including with respect to vesting and termination.

Other than with our Chief Executive Officer, Mr. Amir Weisberg, and our Chief Scientific Officer, Dr. Noam Emanuel, we do not have written agreements with any director providing for benefits upon the termination of their employment with our company. See "—Agreements with Executive Officers."

Agreements with Executive Officers

We currently have employment agreements with all of our executive officers. We contribute (usually following a trial period of three months) monthly amounts for the benefit and on behalf of all

our employees located in Israel to a pension fund pursuant to Section 14 of Israel's Severance Pay Law. Employees covered by Section 14 are entitled to monthly deposits at a rate of 8.33% of their monthly salary, made on their behalf by us. Payments in accordance with Section 14 release us from any future severance liabilities in respect of those employees. We do not set aside or accrue any additional amounts to provide pension, severance, retirement or other similar benefits or expenses. Our executive officers do not receive benefits upon the termination of their respective employment with us, other than benefits under Section 14.

Equity Incentive Plans

Amended and Restated 2012 Share Option Plan

Our Amended and Restated 2012 Share Option Plan, or the 2012 Plan, was adopted by our board of directors on August 29, 2012 and amended on January 30, 2018. The 2012 Plan provides for the grant of options to our directors, employees, office holders, service providers and consultants. A total of 1,068,917 shares are reserved but unissued under our 2012 Plan as of the date of this prospectus, including 812,600 additional shares that will become reserved for issuance under the 2012 Plan effective upon the closing of this offering.

The 2012 Plan is administered by our board of directors, which, on its own or upon the recommendation of a remuneration committee or any other similar committee of the board of directors, shall determine, subject to applicable law, the identity of grantees of awards and various terms of the grant. With respect to those grantees subject to Israeli taxation, the 2012 Plan provides for granting options in compliance with Section 102 of the Israeli Income Tax Ordinance, 1961, or the Ordinance, under the capital gains track, and for grants to non-employee Israeli service providers, consultants and shareholders who hold 10% or more of our total share capital or are otherwise controlling shareholders pursuant to section 3(i) of the Ordinance, as further detailed below.

Section 102 of the Ordinance allows employees, directors and officers who are not controlling shareholders and are considered Israeli residents to receive favorable tax treatment for compensation in the form of shares or options. Our non-employee service providers and controlling shareholders may only be granted options under section 3(i) of the Ordinance, which does not provide for similar tax benefits. Section 102 includes two alternatives for tax treatment involving the issuance of options or shares to a trustee for the benefit of the grantees and also includes an additional alternative for the issuance of options or shares directly to the grantee. Section 102(b)(2) of the Ordinance, the most favorable tax treatment for the grantee, permits the issuance to a trustee under the "capital gain track." However, under this track we are not allowed to deduct an expense with respect to the issuance of the options or shares.

Generally, options will not be exercisable before the first anniversary of the date of grant of options, with respect to the 33.0% of the option shares, and with respect to each additional 8.375% of the option shares, become exercisable at the end of each three-month period during the second and third years from the date of grant. Generally, options that are not exercised within ten years from the grant date shall expire.

Other than by will or laws of descent, neither the options nor any right in connection with such options are assignable or transferable. If we terminate a grantee's employment or service for any reason whatsoever, other than for cause, any options granted to such grantee that are not vested shall immediately expire. All of the grantee's vested options shall be deemed expired on the earlier of: (a) the expiration date of such vested options as was in effect immediately prior to such termination; or (b) three months following the date of such termination, or if such termination is the result of death or disability of the grantee, 12 months from the date of such termination. However, for certain executives and other senior management, our board of directors (and shareholders where applicable) has resolved that the expiration date of their vested options shall be between two to four years following the date of

such termination. If we terminate a grantee's employment or service for cause, all of the grantee's vested and unvested options will expire on the date of termination. Also, and subject to applicable law, if the grantee's employment or services is terminated for cause, then we will have a right of repurchase against any shares issued pursuant to the exercise of options. In the event that we exercise such right of repurchase, we will pay such grantee for each such share being repurchased an amount equal to the price originally paid by the grantee for such share. Alternatively, we may assign such rights of repurchase to our shareholders pro rata to their respective holdings of our issued and outstanding shares.

If we are party to a merger or consolidation, outstanding options and shares acquired under the 2012 Plan will be subject to the agreement of merger or consolidation, which will provide for one or more of the following: (i) the assumption of such options by the surviving corporation or its parent, (ii) the substitution by the surviving corporation or its parent of new options, or (iii) in the event that the successor entity neither assumes nor substitutes all outstanding options, then each respective grantee shall have a period of 15 days to exercise his or her vested options, after which all remaining options, whether vested or not shall expire. For certain individuals, if their position is terminated within a certain period after the transaction, their options shall accelerate.

In the event of any variation in our share capital, including a share dividend, share split, combination or exchange of shares, recapitalization, or any other like event, the number, class and kind of shares subject to the 2012 Plan and outstanding options, and the exercise prices of the options, will be appropriately and equitably adjusted so as to maintain the proportionate number of shares without changing the aggregate exercise price of the options.

On January 30, 2018, our board of directors adopted an appendix to the 2012 Plan for U.S. residents, which was approved by our shareholders on February 8, 2018. Under this appendix, the 2012 Plan provides for the granting of options to U.S. residents in compliance with the U.S. Internal Revenue Code of 1986, as amended.

PRINCIPAL SHAREHOLDERS

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of June 15, 2020 by:

- each person or entity known by us to own beneficially 5% or more of our outstanding ordinary shares;
- each of our directors and executive officers individually; and
- all of our directors and executive officers as a group.

The beneficial ownership of our ordinary shares is determined in accordance with the rules of the SEC and generally includes any shares over which a person exercises sole or shared voting or investment power, or the right to receive the economic benefit of ownership. For purposes of the table below, we deem ordinary shares issuable pursuant to options that are currently exercisable or exercisable within 60 days of June 15, 2020 to be outstanding and to be beneficially owned by the person holding the options for the purposes of computing the percentage ownership of that person, but we do not treat them as outstanding for the purpose of computing the percentage ownership of any other person.

The percentage of shares beneficially owned has been computed on the basis of 13,296,451 ordinary shares outstanding as of June 15, 2020, which reflects the assumed exercise for cash of all of our warrants to purchase Series A preferred shares and the subsequent conversion of all of our preferred shares into ordinary shares, including to give effect to an anti-dilution adjustment relating to our Series E-1 preferred shares described in the section titled "Description of Capital Stock—Conversion of Preferred Shares."

As of June 15, 2020 and based on their reported registered office, 375 of our shareholders were U.S. persons, holding in aggregate approximately 25.9% of our outstanding ordinary shares immediately prior to this offering. We have also set forth below information known to us regarding any significant change in the percentage ownership of our ordinary shares by any major shareholders during the past three years. Except where otherwise indicated, we believe, based on information furnished to us by such owners, that the beneficial owners of the ordinary shares listed below have sole investment and voting power with respect to such shares.

Certain of our existing shareholders, including entities affiliated with certain of our directors and beneficial owners of greater than 5% of our share capital, have indicated an interest in purchasing up to an aggregate of \$27 million of ordinary shares in this offering at the initial public offering price per share. Based on an assumed initial public offering price of \$16.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, these shareholders would purchase up to an aggregate of 1,687,500 of the 3,125,000 ordinary shares in this offering based on these indications of interest. However, because indications of interest are not binding agreements or commitments to purchase, these shareholders may determine to purchase more, less or no ordinary shares in this offering. It is also possible that these shareholders could indicate an interest in purchasing more ordinary shares. In addition, the underwriters could determine to sell fewer ordinary shares to any of these shareholders than the shareholders indicate an interest in purchasing or not to sell any ordinary shares to these shareholders. The information in the table below does not reflect the anticipated purchase of any shares in this offering by our existing shareholders.

Following the closing of this offering, all of our shareholders, including the shareholders listed below, will have the same voting rights attached to their ordinary shares, and neither our principal shareholders nor our directors and executive officers will have different or special voting rights with respect to their ordinary shares. See "Description of Share Capital—Voting Rights." A description of any material relationship that our principal shareholders have had with us or any of our predecessors

or affiliates within the past three years is included under "Certain Relationships and Related Party Transactions."

Unless otherwise noted below, the address of each shareholder, director and executive officer is c/o PolyPid Ltd., 18 Hasivim Street, P.O. Box 7126 Petach Tikva, 4959376 Israel.

Name of beneficial owner	Ordinary shares beneficially owned	Percentage of ordinary shares beneficially owned	
		Before offering	After offering
5% or Greater Shareholders			
Aurum Ventures M.K.I. Ltd. ⁽¹⁾	2,217,361	15.6%	13.5%
Entities associated with Shavit Capital Funds ⁽²⁾	1,844,374	13.9%	11.2%
Shirat Hachaim Ltd. ⁽³⁾	830,770	6.2%	5.1%
Xenia Venture Capital Ltd. ⁽⁴⁾	739,427	5.6%	4.5%
Friendly Angels Club L.L.P. ⁽⁵⁾	690,655	5.2%	4.2%
Directors and Executive Officers			
Amir Weisberg ⁽⁶⁾	496,817	3.6%	3.0%
Dikla Czaczkes Akselbrad ⁽⁷⁾	110,737	*	*
Noam Emanuel ⁽⁸⁾	600,058	4.4%	3.7%
Dalit Hazan ⁽⁹⁾	8,763	*	*
Taunia Markvicka ⁽¹⁰⁾	15,774	*	*
Shaul Mukhtar ⁽¹¹⁾	7,932	*	*
Yechezkel Barenholz ⁽¹²⁾	136,568	1.0%	*
Nir Dror ⁽¹³⁾	2,217,361	15.6%	13.5%
Jacob Harel ⁽¹⁴⁾	44,768	*	*
Chaim Hurvitz ⁽¹⁵⁾	906,835	6.7%	5.5%
Itzhak Krinsky ⁽¹⁶⁾	8,918	*	*
Anat Tsour Segal ⁽¹⁷⁾	29,278	*	*
Robert B. Stein	—	—	—
Stanley Stern	—	—	—
All directors and executive officers as a group (14 persons)	4,583,809	33.1%	27.9%

* Indicates beneficial ownership of less than 1% of the total ordinary shares outstanding.

- (1) Consists of (i) 1,283,389 ordinary shares issuable upon conversion of preferred shares and (ii) 933,972 ordinary shares issuable upon exercise of outstanding warrants to purchase preferred shares and the automatic conversion thereof into ordinary shares. Cropwell Limited is the beneficial owner of the shares owned by Aurum Ventures M.K.I. Ltd. Cropwell Limited is owned in equal parts by Brock Nominees Limited and Tenby Nominees Limited, as nominees for Credit Suisse Trust as trustee of the MK Special Assets Trust, the sole beneficiary of which is The MK Trust, of which Morris Kahn is the sole beneficiary. The address of Aurum Ventures M.K.I. Ltd. is 16 Abba Hillel Silver Street, Aurec House, Ramat Gan, 52506 Israel.
- (2) Consists of (i) 579,351 ordinary shares issuable upon conversion of preferred shares and 590,352 ordinary shares issuable upon exercise of outstanding warrants to purchase preferred shares and the automatic conversion thereof into ordinary shares by Shavit Capital Fund III (US), L.P., (ii) 80,578 ordinary shares issuable upon conversion of preferred shares and 82,107 ordinary shares issuable upon exercise of outstanding warrants to purchase preferred shares and the automatic conversion thereof into ordinary shares by Shavit Capital Fund 3 (Israel), L.P., (iii) 172,735 ordinary shares issuable upon conversion of preferred shares and 198,644 ordinary shares issuable upon exercise of outstanding warrants to purchase preferred shares and the automatic conversion

thereof into ordinary shares by Gabriel Capital Fund (US), L.P., (iv) 22,181 ordinary shares issuable upon conversion of preferred shares and 25,509 ordinary shares issuable upon exercise of outstanding warrants to purchase preferred shares and the automatic conversion thereof into ordinary shares by Gabriel Capital Fund (Israel), L.P., and (v) 89,973 ordinary shares issuable upon exercise of outstanding warrants to purchase preferred shares and the automatic conversion thereof into ordinary shares by Gary Leibler. Also reflects the issuance of 2,944 ordinary shares after giving effect to an anti-dilution adjustment relating to our Series E-1 preferred shares described in the section titled "Description of Share Capital—Conversion of Preferred Shares," assuming an initial public offering price of \$16.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus. The general partner of the Shavit Capital Funds is Shavit Capital Fund GP, L.P., which is managed by Shavit Capital Management 3 (GP) Ltd. in its capacity as the general partner. The controlling shareholder of Shavit Capital Management 3 (GP) Ltd. is Rosigal Consultancy and Investments Ltd., or Rosigal. The controlling shareholder of Rosigal is Gary Leibler. The address of Shavit Capital Funds is Jerusalem Technology Park, Building 1B, Box 70, Malha, Jerusalem, 96951 Israel.

- (3) Consists of (i) 728,541 ordinary shares issuable upon conversion of preferred shares and (ii) 93,397 ordinary shares issuable upon exercise of outstanding warrants to purchase preferred shares and the automatic conversion thereof into ordinary shares. Also reflects the issuance of 8,832 ordinary shares after giving effect to an anti-dilution adjustment relating to our Series E-1 preferred shares described in the section titled "Description of Share Capital—Conversion of Preferred Shares," assuming an initial public offering price of \$16.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus. Chaim Hurvitz is the beneficial owner of Shirat Hachaim Ltd. The address of Shirat Hachaim Ltd. is 31 Yavne Street, Tel Aviv, Israel 65792.
- (4) Consists of (i) 685,652 ordinary shares issuable upon conversion of preferred shares and (ii) 53,775 ordinary shares issuable upon exercise of outstanding warrants to purchase preferred shares and the automatic conversion thereof into ordinary shares. Eli Sorzon is the chief executive officer of Xenia Venture Capital Ltd. The address of Xenia Venture Capital Ltd. is Igal Alon 76, Tel Aviv, Israel.
- (5) Consists of (i) 662,013 ordinary shares issuable upon conversion of preferred shares and (ii) 28,642 ordinary shares issuable upon exercise of outstanding warrants to purchase preferred shares and the automatic conversion thereof into ordinary shares. Eitan Kyiet is the beneficial owner of the shares owned by Friendly Angels Club L.L.P. The address of Friendly Angels Club L.L.P. is Haifa, 34987, Rehov Frank Peleg 6, Israel.
- (6) Consists of (i) 146,464 ordinary shares issuable upon conversion of preferred shares and (ii) 350,353 ordinary shares issuable upon exercise of outstanding options.
- (7) Consists of 110,737 ordinary shares issuable upon exercise of outstanding options.
- (8) Consists of (i) 203,150 ordinary shares and (ii) 396,908 ordinary shares issuable upon exercise of outstanding options.
- (9) Consists of 8,763 ordinary shares issuable upon exercise of outstanding options.
- (10) Consists of 15,774 ordinary shares issuable upon exercise of outstanding options.
- (11) Consists of 7,932 ordinary shares issuable upon exercise of outstanding options.
- (12) Consists of (i) 82,793 ordinary shares issuable upon conversion of preferred shares and (ii) 53,775 ordinary shares issuable upon exercise of outstanding options.
- (13) Consists of beneficial ownership of the shares set forth in note (1) above by Aurum Ventures M.K.I. Ltd.

- (14) Consists of 44,768 ordinary shares issuable upon exercise of outstanding options.
- (15) Consists of (i) 76,065 ordinary shares issuable upon exercise of outstanding options and (ii) beneficial ownership of the shares set forth in note 3 above held by Shirat Hachaim Ltd.
- (16) Consists of 8,918 ordinary shares issuable upon exercise of outstanding options.
- (17) Consists of 29,278 ordinary shares issuable upon exercise of outstanding options.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a description of the material terms of those transactions with related parties to which we, or our subsidiaries, are party.

Participation in this Offering

Certain of our existing shareholders, including entities affiliated with certain of our directors and beneficial owners of greater than 5% of our share capital, have indicated an interest in purchasing up to an aggregate of \$27 million of ordinary shares in this offering at the initial public offering price per share. Based on an assumed initial public offering price of \$16.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, these shareholders would purchase up to an aggregate of 1,687,500 of the 3,125,000 ordinary shares in this offering based on these indications of interest. However, because indications of interest are not binding agreements or commitments to purchase, these shareholders may determine to purchase more, less or no ordinary shares in this offering. It is also possible that these shareholders could indicate an interest in purchasing more ordinary shares. In addition, the underwriters could determine to sell fewer ordinary shares to any of these shareholders than the shareholders indicate an interest in purchasing or not to sell any ordinary shares to these shareholders. The foregoing discussion and tables do not reflect any potential purchases by these shareholders.

Private Placements of our Securities

Sale of Series E Shares

In the third and fourth quarters of 2017, we entered into share purchase agreements with certain investors, including one of our holders of greater than 5% of our ordinary shares, pursuant to which we issued a total of 1,126,229 Series E preferred shares for an aggregate purchase price of \$15.0 million, or the Series E Private Placement. The following table sets forth the aggregate number of Series E preferred shares issued to our related parties in the Series E Private Placement:

<u>Participant</u>	<u>Series E Preferred Shares</u>
Shirat Hachaim Ltd.	106,103

Sale of Series E-1 Shares

In August 2018, February 2019 and August 2019, we entered into share purchase agreements with certain investors, including holders of greater than 5% of our ordinary shares, pursuant to which we issued a total of 3,784,552 Series E-1 preferred shares for an aggregate purchase price of \$50.3 million, or the Series E-1 Private Placement. The following table sets forth the aggregate number of Series E-1 preferred shares issued to our related parties in the Series E-1 Private Placement:

<u>Participant</u>	<u>Series E Preferred Shares</u>
Shirat Hachaim Ltd.	112,772
Entities associated with Shavit Capital ⁽¹⁾	75,181

- (1) Affiliates of Shavit Capital whose securities are aggregated for purposes of reporting share ownership are Shavit Capital Fund III (US), L.P. and Shavit Capital Fund 3 (Israel). L.P.

The holders of the Series E-1 preferred shares are entitled to certain anti-dilution protections that depend on the initial public offering price of our ordinary shares. See "Description of Capital Stock—Conversion of Preferred Shares."

Advisory Agreement with Stanley Stern

In July 2018, we entered into an advisory agreement for strategic consulting services with Stanley Stern, a director of our company. Under the agreement, Mr. Stern will be entitled to a cash fee of \$225,000 upon the closing of this offering and will receive a warrant to purchase 17,925 ordinary shares at a purchase price of \$0.05 per share and an exercise price equal to the initial public offering price. The warrants will be exercisable at any time after the expiration of the lock-up agreements described in "Shares Eligible for Future Sale—Lock-Up Agreements" and will have a term of four years.

Agreement with CTG Weld

In July 2019, we entered into a master service agreement with CTG Weld, a contract research organization, to conduct a portion of a Phase 3 clinical trial of D-PLEX₁₀₀ in Eastern Europe for a total cost of \$0.7 million. Chaim Hurvitz, a director of our company, serves as a director for, and is a shareholder of, CTG Weld.

Investor Rights Agreement

We are party to an amended and restated investor rights agreement, or the IRA, with certain of our shareholders. The IRA provides that certain holders of our ordinary shares have the right to demand that we file a registration statement or request that their ordinary shares be covered by a registration statement that we are otherwise filing. The registration rights are described in more detail under "Description of Share Capital—Registration Rights." All rights under the registration rights agreement, other than the registration rights described in such section, will terminate upon the closing of this offering.

Agreements and Arrangements With, and Compensation of, Directors and Executive Officers

Certain of our executive officers have employment agreements with us. These agreements will terminate at the closing of this offering and will be replaced by new employment agreements, which will contain customary provisions and representations, including confidentiality, non-competition, non-solicitation and inventions assignment undertakings by the executive officers. Under current applicable Israeli employment laws, we may not be able to enforce (either in whole or in part) covenants not to compete and therefore may be unable to prevent our competitors from benefiting from the expertise of some of our former employees. See "Management—Compensation of Executive Officers and Directors."

Indemnification Agreements

Our amended and restated articles of association permit us to exculpate, indemnify and insure each of our directors and office holders to the fullest extent permitted by the Israeli Companies Law. Upon the closing of this offering, we intend to enter into indemnification agreements with each of our directors and executive officers, undertaking to indemnify them to the fullest extent permitted by Israeli law, including with respect to liabilities resulting from a public offering of our shares, to the extent that these liabilities are not covered by insurance. We have also obtained directors and officers insurance for each of our executive officers and directors. For further information, see "Management—Exculpation, Insurance and Indemnification of Directors and Officers."

DESCRIPTION OF SHARE CAPITAL

The following descriptions of our share capital and provisions of our amended and restated articles of association which will be effective upon the closing of this offering are summaries and do not purport to be complete. A form of our amended and restated articles of association will be filed with the SEC as an exhibit to our registration statement, of which this prospectus forms a part. The description of the ordinary shares reflects changes to our capital structure that will occur upon the closing of this offering.

General

Upon the closing of this offering, our authorized share capital will consist of 47,800,000 ordinary shares, of which 16,421,451 shares will be issued and outstanding (assuming that the underwriters do not exercise their option to purchase additional ordinary shares prior thereto).

All of our outstanding ordinary shares are validly issued, fully paid and non-assessable. Our ordinary shares are not redeemable and do not have any preemptive rights.

All ordinary shares have identical voting and other rights in all respects.

Registration Number and Purpose of the Company

Our registration number with the Israeli Registrar of Companies is 514105923. Our purpose as set forth in our amended and restated articles of association is to engage in any lawful activity. Following the completion of this offering and the resulting registration of our ordinary shares for trading, our registration number is expected to change to reflect our becoming a public company.

Conversion of Preferred Shares

Upon the closing of this offering, all of our preferred shares outstanding will automatically convert into 12,679,928 ordinary shares, after giving effect to an anti-dilution adjustment relating to our Series E-1 preferred shares, and will have no further preferences, privileges or priority rights of any kind.

The number of ordinary shares to be issued in connection with the anti-dilution adjustment of our Series E-1 preferred shares depends on the initial public offering price of our ordinary shares. We expect the initial public offering price of our ordinary shares to be between \$15.00 and \$17.00 per share, as set forth on the cover page of this prospectus. However, the actual initial public offering price may be lower or higher, which would increase or decrease, respectively, the number of ordinary shares to be issued in connection with the anti-dilution adjustment of our Series E-1 preferred shares, as described in more detail below. We will not know the initial public offering price and, as a result, the total number of ordinary shares to be issued in connection with the anti-dilution adjustment of our Series E-1 preferred shares, until the determination of the actual price per share following the effectiveness of the registration statement of which this prospectus forms a part. If the initial public offering price per share, before deducting underwriting discounts and commissions and estimated offering expenses payable by us, is less than \$16.63, then the conversion price for each Series E-1 preferred share shall be adjusted immediately prior to the conversion of the Series E-1 preferred shares into ordinary shares in connection with this offering to a conversion price that results in each Series E-1 preferred share converting into that number of ordinary shares (including fractional shares) as would have a deemed value (or the number of ordinary shares issued upon conversion of one Series E-1 preferred share multiplied by an assumed initial offering public price of \$16.00 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus,) equal to \$16.63. However, if the conversion price of the Series E-1 preferred shares in effect immediately prior to such adjustment would result in such Series E-1 preferred shares converting into that number of ordinary shares (including fractional shares) as would have a deemed value greater

than \$16.63, then such anti-dilution adjustment shall not apply. Based on an assumed initial public offering price of \$16.00 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, the anti-dilution adjustment of our Series E-1 preferred shares would be equal to an aggregate of 158,951 ordinary shares. A \$1.00 decrease in the initial public offering price would increase the anti-dilution adjustment of our Series E-1 preferred shares to an aggregate of 440,148 ordinary shares, and a \$1.00 increase in the initial public offering price would result in no anti-dilution adjustment of our Series E-1 preferred shares.

The following table illustrates the number of ordinary shares that would be outstanding after the automatic conversion of our outstanding preferred shares into ordinary shares, including the anti-dilution adjustment described above, and the exercise of warrants to purchase 53,775 Series A preferred shares, and the automatic conversion thereof into 53,775 ordinary shares, but before this offering, assuming the initial public offering prices as set forth below:

	<u>\$14.00</u>	<u>\$15.00</u>	<u>\$16.00</u>	<u>\$17.00</u>	<u>\$18.00</u>
Shares outstanding	14,199,542	13,577,648	13,296,451	13,137,500	13,137,500

Transfer of Shares

Our fully paid ordinary shares are issued in registered form and may be freely transferred under our amended and restated articles of association, unless the transfer is restricted or prohibited by another instrument, applicable law or the rules of a stock exchange on which the shares are listed for trading. The ownership or voting of our ordinary shares by non-residents of Israel is not restricted in any way by our amended and restated articles of association or the laws of the State of Israel, except for ownership by nationals of some countries that are, or have been, in a state of war with Israel.

Election of Directors

Our ordinary shares do not have cumulative voting rights for the election of directors. As a result, the holders of a majority of the voting power represented at a meeting of shareholders have the power to elect all of our directors.

Under our amended and restated articles of association to be effective upon the closing of this offering, our board of directors must consist of at least five and not more than eleven directors. Our board of directors will consist of nine directors upon the closing of this offering.

Pursuant to our amended and restated articles of association, each of our directors, will be appointed by a vote of the majority of the total voting power of our company, participating and voting at an annual general meeting of our shareholders. Each director will serve until the next annual general meeting following his or her election and his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal by a vote of 65% of the total voting power of our company at a general meeting of our shareholders or until his or her office expires by operation of law. In addition, our amended and restated articles of association allow our board of directors to appoint directors to fill vacancies on the board of directors, including filling empty board seats up to the maximum number of directors permitted under our articles of association, to serve until the next annual general meeting of shareholders. Our amended and restated articles of association do not have a retirement age requirement for our directors.

Dividend and Liquidation Rights

We may declare a dividend to be paid to the holders of our ordinary shares in proportion to their respective shareholdings. Under the Israeli Companies Law, dividend distributions are determined by the board of directors and do not require the approval of the shareholders of a company unless the company's articles of association provide otherwise. Our amended and restated articles of association

do not require shareholder approval of a dividend distribution and provide that dividend distributions may be determined by our board of directors.

Pursuant to the Israeli Companies Law, the distribution amount is limited to the greater of retained earnings or earnings generated over the previous two years, according to our then last reviewed or audited financial statements, provided that the end of the period to which the financial statements relate is not more than six months prior to the date of the distribution. If we do not meet such criteria, then we may distribute dividends only with court approval. In each case, we are only permitted to distribute a dividend if our board of directors and the court, if applicable, determines that there is no reasonable concern that payment of the dividend will prevent us from satisfying our existing and foreseeable obligations as they become due.

In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of our ordinary shares in proportion to their shareholdings. This right, as well as the right to receive dividends, may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future.

Exchange Controls

There are currently no Israeli currency control restrictions on remittances of dividends on our ordinary shares, proceeds from the sale of the shares or interest or other payments to non-residents of Israel, except for shareholders who are subjects of countries that are, or have been, in a state of war with Israel.

Shareholder Meetings

Under Israeli law, we are required to hold an annual general meeting of our shareholders once every calendar year that must be held no later than 15 months after the date of the previous annual general meeting. All meetings other than the annual general meeting of shareholders are referred to in our amended and restated articles of association as extraordinary meetings. Our board of directors may call extraordinary meetings whenever it sees fit, at such time and place, within or outside of Israel, as it may determine. In addition, the Israeli Companies Law provides that our board of directors is required to convene an extraordinary meeting upon the written request of (i) any two or more of our directors or one-quarter or more of the members of our board of directors, or (ii) one or more shareholders holding, in the aggregate, either (a) 5% or more of our outstanding issued shares and 1% of our outstanding voting power, or (b) 5% or more of our outstanding voting power.

Subject to the provisions of the Israeli Companies Law and the regulations promulgated thereunder, shareholders entitled to participate and vote at general meetings are the shareholders of record on a date to be decided by the board of directors, which may be between four and 40 days prior to the date of the meeting. Furthermore, the Israeli Companies Law requires that resolutions regarding the following matters must be passed at a general meeting of our shareholders:

- amendments to our articles of association;
- appointment or termination of our auditors
- appointment of external directors (if applicable);
- approval of certain related party transactions;
- increases or reductions of our authorized share capital;
- a merger; and
- the exercise of our board of director's powers by a general meeting, if our board of directors is unable to exercise its powers and the exercise of any of its powers is required for our proper management.

The Israeli Companies Law requires that a notice of any annual general meeting or extraordinary meeting be provided to shareholders at least 21 days prior to the meeting and if the agenda of the meeting includes the appointment or removal of directors, the approval of transactions with office holders or interested or related parties, or an approval of a merger, notice must be provided at least 35 days prior to the meeting.

Under Israeli Companies Law, whenever we cannot convene or conduct a general meeting in the manner prescribed under the law or our articles of association, the court may, upon our, shareholders' or directors' request, order that we convene and conduct a general meeting in the manner the court deems appropriate.

Voting Rights

Quorum Requirements

Pursuant to our amended and restated articles of association, holders of our ordinary shares have one vote for each ordinary share held on all matters submitted to a vote before the shareholders at a general meeting. As a foreign private issuer, the quorum required for our general meetings of shareholders consists of at least two shareholders present in person, by proxy or by other voting instrument in accordance with the Israeli Companies Law who hold or represent between them at least 33¹/₃% of the total outstanding voting rights. A meeting adjourned for lack of a quorum is generally adjourned to the same day in the following week at the same time and place or to a later time or date if so specified in the notice of the meeting. At the reconvened meeting, in general any shareholder present in person or by proxy shall constitute a lawful quorum.

Vote Requirements

Our amended and restated articles of association provide that all resolutions of our shareholders require a simple majority vote, unless otherwise required by the Israeli Companies Law or by our amended and restated articles of association. Under the Israeli Companies Law, among others, each of (i) the approval of an extraordinary transaction with a controlling shareholder, and (ii) the terms of employment or other engagement of the controlling shareholder of the company or such controlling shareholder's relative (even if such terms are not extraordinary) requires the approval described above under "Management—Approval of Related Party Transactions under Israeli Law—Fiduciary Duties of Directors and Executive Officers—Disclosure of Personal Interests of Controlling Shareholders and Approval of Certain Transactions." Additionally, (i) the approval and extension of a compensation policy and certain deviations therefrom require the approvals described above under "Management—Compensation, Nominating and Corporate Governance Committee and Compensation Policy—Israeli Companies Law Requirements," and (ii) the terms of employment or other engagement of the chief executive officer of the company require the approvals described above under "Management—Approval of Related Party Transactions under Israeli Law—Disclosure of Personal Interests of an Office Holder and Approval of Certain Transactions." Under our amended and restated articles of association, (i) the removal of a director from office requires the adoption of a resolution at a general meeting of shareholders by 65% of the total voting power of our company and (ii) the alteration of the rights, privileges, preferences or obligations of any class of our shares requires a simple majority of all classes of shares voting together as a single class at a shareholder meeting.

Further exceptions to the simple majority vote requirement are a resolution for the voluntary winding up, or an approval of a scheme of arrangement or reorganization, of the company pursuant to Section 350 of the Israeli Companies Law, that governs the settlement of debts and reorganization of a company, which requires the approval of holders of 75% of the voting rights represented at the meeting and voting on the resolution.

Access to Corporate Records

Under the Israeli Companies Law, shareholders are provided access to: minutes of our general meetings; our shareholders register and principal shareholders register, articles of association and annual audited financial statements; and any document that we are required by law to file publicly with the Israeli Companies Registrar or the Israel Securities Authority. In addition, shareholders may request to be provided with any document related to an action or transaction requiring shareholder approval under the related party transaction provisions of the Israeli Companies Law. We may deny this request if we believe it has not been made in good faith or if such denial is necessary to protect our interest or protect a trade secret or patent.

Modification of Class Rights

Under our amended and restated articles of association, the rights attached to any class of shares, such as voting, liquidation and dividend rights, may be amended by adoption of a resolution by the holders of a simple majority of of all classes of shares voting together as a single class at a shareholder meeting.

Registration Rights

We are party to the IRA with certain of our shareholders. Under the IRA, holders of a total of 16,834,161 of our ordinary shares will have the right to require us to register their ordinary shares under the Securities Act under specified circumstances and will have incidental registration rights as described below.

Demand Registration Rights

At any time beginning six months after the consummation of this offering, the holders of at least 50% of the registrable securities then outstanding may request that we file a registration statement (including, once we are eligible to use Form F-3, which we anticipate will occur twelve months following the consummation of this offering, a registration of the sale of their shares on a delayed or continuous basis under Form F-3, and in such case pursuant to a demand of at least 50% of the registrable securities then outstanding held by at least two classes of holders) with respect to the registrable securities held by them. This demand right is subject to an anticipated aggregate offering price, net of selling expenses, of at least \$7.5 million in an ordinary demand registration and \$3.0 million for a registration on Form F-3. Upon receipt of such registration request, we are obligated to use our best efforts to effect, as soon as practicable, the registration under the Securities Act of all registrable securities that the holders request to be registered. Our shareholders have the right to utilize their demand rights up to two times for an ordinary demand and up to two times for registration on Form F-3.

We will not be obligated to file a registration statement at any such time if in the good faith judgment of our board of directors (as reflected in a certificate delivered by our chief executive officer or the chairman of our board of directors), such registration would be seriously detrimental to our company, provided that we do not use that exemption more than once in any 12 month period. We also have the right not to effect or take any action to effect a registration statement during the period starting with the date 60 days prior to our good faith estimate of the date of the filing of, and ending on a date 180 days following the effective date of, a Company-initiated registration statement.

Piggyback Registration Rights

In addition, if we register any of our ordinary shares in connection with the public offering of such securities solely for cash, the holders of all registrable securities are entitled to notice of the registration and to include all or a portion of their registrable securities in the registration. If the public offering that we are effecting is underwritten, the right of any shareholder to include shares in the

registration related thereto is conditioned upon the shareholder accepting the terms of the underwriting as agreed between us and the underwriters. Each shareholder may furthermore only include such quantity of registrable securities as the underwriters in their sole discretion determine will not jeopardize the success of our offering.

Expenses

We will pay all registration expenses (other than underwriting discounts and selling commissions) and the reasonable fees and expenses of a single counsel for the selling shareholders, related to any demand or piggyback registration.

Acquisitions under Israeli Law

Full Tender Offer

A person wishing to acquire shares of an Israeli public company and who would as a result hold over 90% of the target company's issued and outstanding share capital is required by the Israeli Companies Law to make a tender offer to all of the company's shareholders for the purchase of all of the issued and outstanding shares of the company. A person wishing to acquire shares of a public Israeli company and who would as a result hold over 90% of the issued and outstanding share capital of a certain class of shares is required to make a tender offer to all of the shareholders who hold shares of the relevant class for the purchase of all of the issued and outstanding shares of that class. If the shareholders who do not accept the offer hold less than 5% of the issued and outstanding share capital of the company or of the applicable class, and more than half of the shareholders who do not have a personal interest in the offer accept the offer, all of the shares that the acquirer offered to purchase will be transferred to the acquirer by operation of law. However, a tender offer will also be accepted if the shareholders who do not accept the offer hold less than 2% of the issued and outstanding share capital of the company or of the applicable class of shares.

Upon a successful completion of such a full tender offer, any shareholder that was an offeree in such tender offer, whether such shareholder accepted the tender offer or not, may, within six months from the date of acceptance of the tender offer, petition an Israeli court to determine whether the tender offer was for less than fair value and that the fair value should be paid as determined by the court. However the offeror may include in the terms of the tender offer that an offeree who accepted the offer will not be entitled to petition the Israeli court as described above.

If (i) the shareholders who did not respond or accept the tender offer hold at least 5% of the issued and outstanding share capital of the company or of the applicable class or the shareholders who accept the offer constitute less than a majority of the offerees that do not have a personal interest in the acceptance of the tender offer, or (ii) the shareholders who did not accept the tender offer hold 2% or more of the issued and outstanding share capital of the company (or of the applicable class), the acquirer may not acquire shares from shareholders who accepted the tender offer that will increase its holdings to more than 90% of the company's issued and outstanding share capital or of the applicable class.

Special Tender Offer

The Israeli Companies Law provides that, subject to certain exceptions, an acquisition of shares of an Israeli public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of 25% or more of the voting rights in the company. This requirement does not apply if there is already another holder of at least 25% of the voting rights in the company. Similarly, the Israeli Companies Law provides that, subject to certain exceptions, an acquisition of shares in a public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of more than 45% of the voting rights in

the company, if there is no other shareholder of the company who holds more than 45% of the voting rights in the company.

A special tender offer must be extended to all shareholders of a company. A special tender offer may be consummated only if (i) the offeror acquired shares representing at least 5% of the voting power in the company and (ii) the number of shares tendered by shareholders who accept the offer exceeds the number of shares held by shareholders who object to the offer (excluding the offeror, controlling shareholders, holders of 25% or more of the voting rights in the company or any person having a personal interest in the acceptance of the tender offer or any of their relatives or any entity controlled by them). If a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer. Shares purchased in contradiction to the tender offer rules under the Israeli Companies Law, will have no rights and will become dormant shares.

Merger

The Israeli Companies Law permits merger transactions if approved by each party's board of directors and, unless certain requirements described under the Israeli Companies Law are met, by a majority vote of the voting power represented at a general meeting in person or by proxy and voting thereon, as one class, and disregarding abstentions from the count of the voting power present and voting of each party's shareholders. In the case of the target company, approval of the merger further requires a majority vote of each class of its shares.

The board of directors of a merging company is required pursuant to the Israeli Companies Law to discuss and determine whether in its opinion there exists a reasonable concern that as a result of a proposed merger, the surviving company will not be able to satisfy its obligations towards its creditors, such determination taking into account the financial status of the merging companies. If the board of directors determines that such a concern exists, it may not approve a proposed merger. Following the approval of the board of directors of each of the merging companies, the boards of directors must jointly prepare a merger proposal for submission to the Israeli Registrar of Companies.

For purposes of the shareholder vote of a merging company whose shares are held by the other merging company or a person or entity holding 25% or more of the voting rights at the general meeting or the right to appoint 25% or more of the directors of the other merging company, unless a court rules otherwise, the merger will not be deemed approved if a majority of the votes of shares represented at the meeting of shareholders that are held by parties other than the other party to the merger, or by any person (or group of persons acting in concert) who holds (or hold, as the case may be) 25% or more of the voting rights or the right to appoint 25% or more of the directors of the other party, vote against the merger. If, however, the merger involves a merger with a company's own controlling shareholder or if the controlling shareholder has a personal interest in the merger, then the merger is instead subject to the same Special Majority approval that governs all extraordinary transactions with controlling shareholders (as described under "Management—Approval of Related Party Transactions under Israeli Law—Disclosure of Personal Interests of Controlling Shareholders and Approval of Certain Transactions").

If the transaction would have been approved by the shareholders of a merging company but for the separate approval of each class or the exclusion of the votes of certain shareholders as provided above, a court may still approve the merger upon the petition of holders of at least 25% of the voting rights of a company. For such petition to be granted, the court must find that the merger is fair and reasonable, taking into account the respective values assigned to each of the parties to the merger and the consideration offered to the shareholders of the target company.

Under the Companies Law, each merging company must deliver to its secured creditors the merger proposal and inform its unsecured creditors of the merger proposal and its content. Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of the merging entities, and may further give instructions to secure the rights of creditors.

In addition, a merger may not be consummated unless at least 50 days have passed from the date on which a proposal for approval of the merger is filed with the Israeli Registrar of Companies and at least 30 days have passed from the date on which the merger was approved by the shareholders of each party.

Anti-Takeover Measures under Israeli Law

The Israeli Companies Law allows us to create and issue shares having rights different from those attached to our ordinary shares, including shares providing certain preferred rights with respect to voting, distributions or other matters and shares having preemptive rights. As of the closing of this offering, no preferred shares will be authorized under our amended and restated articles of association. In the future, if we do authorize, create and issue a specific class of preferred shares, such class of shares, depending on the specific rights that may be attached to it, may have the ability to frustrate or prevent a takeover or otherwise prevent our shareholders from realizing a potential premium over the market value of their ordinary shares. The authorization and designation of a class of preferred shares will require an amendment to our amended and restated articles of association, which requires the prior approval of the holders of a majority of the voting power attaching to our issued and outstanding shares and voting at a general meeting. The convening of the meeting, the shareholders entitled to participate and the majority vote required to be obtained at such a meeting will be subject to the requirements set forth in the Israeli Companies Law as described above in "—Voting Rights."

Borrowing Powers

Pursuant to the Israeli Companies Law and our amended and restated articles of association, our board of directors may exercise all powers and take all actions that are not required under law or under our amended and restated articles of association to be exercised or taken by our shareholders, including the power to borrow money for company purposes.

Changes in Capital

Our amended and restated articles of association enable us to increase or reduce our share capital. Any such changes are subject to the provisions of the Israeli Companies Law and must be approved by a resolution duly passed by our shareholders at a general meeting by voting on such change in the capital. In addition, transactions that have the effect of reducing capital, such as the declaration and payment of dividends in the absence of sufficient retained earnings or profits, require the approval of both our board of directors and an Israeli court.

Transfer Agent and Registrar

The transfer agent and registrar for our ordinary shares is American Stock Transfer & Trust Company, LLC.

Listing

Application has been made to have our ordinary shares listed on The Nasdaq Global Market under the symbol "PYPD."

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, no public market existed for our ordinary shares. Sales of substantial amounts of our ordinary shares following this offering, or the perception that these sales could occur, could adversely affect prevailing market prices of our ordinary shares and could impair our future ability to obtain capital, especially through an offering of equity securities. Assuming that the underwriters do not exercise in full their option to purchase additional ordinary shares with respect to this offering and assuming no exercise of options outstanding following this offering, we will have an aggregate of ordinary shares outstanding upon the closing of this offering. Of these shares, the ordinary shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless purchased by "affiliates" (as that term is defined under Rule 144 of the Securities Act, or Rule 144), who may sell only the volume of shares described below and whose sales would be subject to additional restrictions described below.

The remaining ordinary shares will be held by our existing shareholders and will be deemed to be "restricted securities" under Rule 144. Subject to certain contractual restrictions, including the lock-up agreements described below, restricted securities may only be sold in the public market pursuant to an effective registration statement under the Securities Act or pursuant to an exemption from registration under Rule 144, Rule 701 or Rule 904 under the Securities Act. These rules are summarized below. Sales of these shares in the public market after the restrictions under the lock-up agreements lapse, or the perception that those sales may occur, could cause the prevailing market price of our ordinary shares to decrease or to be lower than it might be in the absence of those sales or perceptions.

Eligibility of Restricted Shares for Sale in the Public Market

Approximately 13,296,451 of our ordinary shares will be eligible for resale pursuant to Rule 144 after 90 days following the pricing of this offering as follows:

- with respect to non-affiliates of our company who will hold an aggregate of 8,721,474 ordinary shares upon the consummation of this offering, following the expiration of a non-affiliate's six-month holding period and subject to our compliance with the current public information requirements under Rule 144; and
- with respect to affiliates of our company who will hold an aggregate of 4,574,977 ordinary shares upon the consummation of this offering, following the expiration of an affiliate's six-month holding period and subject to our compliance with the current public information requirements under Rule 144, and subject to the volume, manner of sale and other limitations under Rule 144 applicable to securities held by affiliates.

In each case, the shares will also be subject to the contractual restrictions arising under the lock-up agreements described below.

All of the ordinary shares sold in this offering will be eligible for immediate sale upon the closing of this offering. Certain of our existing shareholders, including entities affiliated with certain of our directors and beneficial owners of greater than 5% of our share capital, have indicated an interest in purchasing up to an aggregate of \$27 million of ordinary shares in this offering at the initial public offering price per share. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters may determine to sell more, less or no shares in this offering to any of these shareholders, or any of these shareholders may determine to purchase more, less or no shares in this offering. The underwriters will receive the same underwriting discount on any shares purchased by these shareholders as they will on any other shares sold to the public in this offering.

Lock-Up Agreements

We, all of our directors and executive officers and holders of substantially all of our outstanding ordinary shares and our ordinary shares issuable upon the exercise of options and warrants have signed lock-up agreements. Pursuant to such lock-up agreements, such persons have agreed, subject to certain exceptions, not to sell or otherwise dispose of ordinary shares or any securities convertible into or exchangeable for ordinary shares for a period of 180 days after the date of this prospectus without the prior written consent of Barclays Capital Inc., which may, in its sole discretion, at any time without prior notice, release all or any portion of the ordinary shares from the restrictions in any such agreement.

Rule 144

Shares Held for Six Months

In general, under Rule 144 as currently in effect, and subject to the terms of any lock-up agreement, commencing 90 days after the closing of this offering, a person (or persons whose shares are aggregated), including an affiliate, who has beneficially owned our ordinary shares for six months or more, including the holding period of any prior owner other than one of our affiliates (i.e., commencing when the shares were acquired from our company or from an affiliate of our company as restricted securities), is entitled to sell our shares, subject to the availability of current public information about us. In the case of an affiliate shareholder, the right to sell is also subject to the fulfillment of certain additional conditions, including manner of sale provisions and notice requirements, and to a volume limitation that limits the number of shares to be sold thereby, within any three-month period, to the greater of:

- 1% of the number of ordinary shares then outstanding; or
- the average weekly trading volume of our ordinary shares on the Nasdaq Global Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

The six month holding period of Rule 144 does not apply to sales of unrestricted securities. Accordingly, persons who hold unrestricted securities may sell them under the requirements of Rule 144 described above without regard to the six-month holding period, even if they were considered our affiliates at the time of the sale or at any time during the ninety days preceding such date.

Shares Held by Non-Affiliates for One Year

Under Rule 144 as currently in effect, a person (or persons whose shares are aggregated) who is not considered to have been one of our affiliates at any time during the 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than one of our affiliates, is entitled to sell his, her or its shares under Rule 144 without complying with the provisions relating to the availability of current public information or with any other conditions under Rule 144. Therefore, unless subject to a lock-up agreement or otherwise restricted, such shares may be sold immediately upon the closing of this offering.

Rule 701

In general, under Rule 701, any of our employees, directors, officers, consultants or advisors who received or purchased ordinary shares from us under our 2012 Plan or other written agreement before the closing of this offering is entitled to resell these shares.

The SEC has indicated that Rule 701 will apply to typical share options granted by an issuer before it becomes subject to the reporting requirements of the Exchange Act, along with the shares acquired upon exercise of these options, including exercises after the closing of this offering. Securities

issued in reliance on Rule 701 are restricted securities and, subject to the contractual restrictions described above (see "Lock-Up Agreements"), may be sold beginning 90 days after the closing of this offering in reliance on Rule 144 by:

- persons other than affiliates, without restriction; and
- affiliates, subject to the manner-of-sale, current public information and filing requirements of Rule 144, in each case, without compliance with the six-month holding period requirement of Rule 144.

Options

As of March 31, 2020, options to purchase a total of 1,658,446 ordinary shares were issued and outstanding under our 2012 Plan. Of the total number of issued and outstanding options, will be vested upon the closing of this offering. See "Management—Equity Incentive Plans—2012 Share Option Plan." All of our ordinary shares issuable under these options are subject to contractual lock-up agreements with us or the underwriters.

Form S-8 Registration Statement

Following the completion of this offering, we intend to file a registration statement on Form S-8 under the Securities Act to register up to 3,456,804 ordinary shares, in the aggregate, issued or reserved for issuance under the 2012 Plan. The registration statement on Form S-8 will become effective automatically upon filing.

Ordinary shares issued upon exercise of a share option and registered pursuant to the Form S-8 registration statement will, subject to vesting provisions and Rule 144 volume limitations applicable to our affiliates, be available for sale in the open market immediately unless they are subject to the 180 day lock-up period or, if subject to the lock-up, immediately after the 180 day lock-up period expires. See "Management—Equity Incentive Plan—2012 Share Option Plan."

Registration Rights

Following the closing of this offering, holders of a total of 16,093,494 ordinary shares will have the right to require us to register these shares under the Securities Act under specified circumstances and will have incidental registration rights. After registration pursuant to these rights, these shares will become freely tradable without restriction under the Securities Act. For more information on these registration rights, see "Description of Share Capital—Registration Rights."

TAXATION

The following description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of our ordinary shares. You should consult your own tax advisor concerning the tax consequences in your particular situation, as well as any tax consequences that may arise under the laws of any state, local, foreign or other taxing jurisdiction.

Material Israeli Tax Considerations

The following is a summary of the material Israeli income tax laws applicable to us. This section also contains a discussion of material Israeli income tax considerations concerning the ownership and disposition of our ordinary shares by holders that purchase ordinary shares pursuant to the offering and hold such ordinary shares as capital assets. This summary does not discuss all the aspects of Israeli income tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. Examples of this kind of investor include residents of Israel or traders in securities who are subject to special tax regimes not covered in this discussion. To the extent that the discussion is based on new tax legislation that has not yet been subject to judicial or administrative interpretation, we cannot assure you that the appropriate tax authorities or the courts will accept the views expressed in this discussion. This summary is based on laws and regulations in effect as of the date of this prospectus and does not take into account possible future amendments which may be under consideration.

General Corporate Tax Structure in Israel

As of January 1, 2018, Israeli resident companies like us are generally subject to corporate tax at the rate of 23.0%.

Capital gains derived by an Israeli resident company are generally subject to tax at the same rate as the corporate tax rate. Under Israeli tax legislation, a corporation will be considered as an "Israeli resident" if it meets one of the following: (a) it was incorporated in Israel; or (b) the control and management of its business are exercised in Israel.

Taxation of our Israeli Individual Shareholders on Receipt of Dividends

Israeli residents who are individuals are generally subject to Israeli income tax for dividends paid on our ordinary shares (other than bonus shares or share dividends) at a rate of 25.0%, or 30.0% if the recipient of such dividend is a "substantial shareholder" (as defined below) at the time of distribution or at any time during the preceding 12-month period.

As of January 1, 2017, an additional income tax at a rate of 3.0% is imposed on high earners whose annual taxable income or gain exceeds certain thresholds (NIS 651,600 as of January 1, 2020).

A "substantial Shareholder" is generally a person who alone, or together with his or her relative or another person who collaborates with him on a regular basis, holds, directly or indirectly, at least 10.0% of any of the "means of control" of the corporation. "Means of control" generally include the right to vote in a general meeting of shareholders, receive profits, nominate a director or an officer, receive assets upon liquidation, or instruct someone who holds any of the aforesaid rights regarding the manner in which he or she is to exercise such right(s), and whether by virtue of shares, rights to shares or other rights, or in any other manner, including by means of voting or trusteeship agreements.

The term "Israeli resident" for individuals is generally defined under the Israeli Income Tax Ordinance [New Version], 1961, or the Israeli Tax Ordinance, as an individual whose center of life is in Israel. According to the Israeli Tax Ordinance, in order to determine the center of life of an individual, account will be taken of the individual's family, economic and social connections, including: (a) the place of the individual's permanent home; (b) the place of residence of the individual and the

individual's family; (c) the place of the individual's regular or permanent place of business or the place of the individual's permanent employment; (d) place of the individual's active and substantial economic interests; (e) place of the individual's activities in organizations, associations and other institutions. The center of life of an individual will be presumed to be in Israel if: (a) the individual was present in Israel for 183 days or more in the tax year; or (b) the individual was present in Israel for 30 days or more in the tax year, and the total period of the individual's presence in Israel in that tax year and the two previous tax years is 425 days or more. The presumption in this paragraph may be rebutted either by the individual or by the assessing officer.

Taxation of Israeli Resident Corporations on Receipt of Dividends

Israeli resident corporations are generally exempt from Israeli corporate income tax with respect to dividends paid on our ordinary shares unless the distribution is from a Preferred Enterprise, as defined below.

Capital Gains Taxes Applicable to Israeli Resident Shareholders

The income tax rate applicable to Real Capital Gain, which is the excess of the total capital gain over inflationary surplus computed generally on the basis of the increase in the Israeli consumer price index between the date of purchase and the date of disposal, derived by an Israeli individual from the sale of shares which had been purchased after January 1, 2012, whether listed on a stock exchange or not, is 25.0%. However, if such shareholder is considered a "Substantial Shareholder" (as defined above) at the time of sale or at any time during the preceding 12-month period, such gain will be taxed at the rate of 30.0%. As of January 1, 2017, an additional income tax at a rate of 3% will be imposed on high earners whose annual taxable income or gain exceeds certain thresholds (NIS 651,600).

Moreover, capital gains derived by a shareholder who is a dealer or trader in securities, or to whom such income is otherwise taxable as ordinary business income, are taxed in Israel at ordinary income rates (currently, up to 50.0% for individuals and as of January 1, 2018, the corporate tax rate is 23.0%).

Taxation of Non-Israeli Shareholders on Receipt of Dividends

Non-Israeli residents (individuals or corporations) are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares at the rate of 25.0% (or 30.0% if such person or entity is a "substantial shareholder" at the time receiving the dividend or on any date in the 12 months preceding such date), which tax will be withheld at source, unless a tax certificate is obtained from the Israeli Tax Authority authorizing withholding-exempt remittances or a reduced rate of tax pursuant to an applicable tax treaty.

A non-Israeli resident who receives dividends from which tax was withheld is generally exempt from the duty to file tax returns in Israel in respect of such income, provided such income was not derived from a business conducted in Israel by such taxpayer, and such taxpayer has no other taxable sources of income in Israel.

For example, under the Convention Between the Government of the United States of America and the Government of Israel with Respect to Taxes on Income, as amended, Israeli withholding tax on dividends paid to a U.S. resident for treaty purposes may not, in general, exceed 25.0%, or 15.0% in the case of dividends paid out of the profits of an Approved Enterprise, subject to certain conditions. Where the recipient is a U.S. corporation owning 10.0% or more of the issued and outstanding voting shares of the paying corporation during the part of the paying corporation's taxable year which precedes the date of payment of the dividend and during the whole of its prior taxable year (if any) and not more than 25.0% of the gross income of the paying corporation for such prior taxable year (if

any) consists of certain interest or dividends and the dividend is not paid from the profits of an Approved Enterprise, the Israeli tax withheld may not exceed 12.5%, subject to certain conditions.

Capital Gains Income Taxes Applicable to Non-Israeli Shareholders

Provided certain conditions are met, non-Israeli resident shareholders are generally exempt from Israeli capital gains tax on any gains derived from the sale, exchange or disposition of our ordinary shares, provided that such gains were not derived from a permanent establishment or business activity of such shareholders in Israel. However, non-Israeli corporations' shareholders will not be entitled to the foregoing exemptions if Israeli residents (i) have a controlling interest of more than 25.0% in such non-Israeli corporation or (ii) are the beneficiaries of or are entitled to 25.0% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly.

Regardless of whether shareholders may be liable for Israeli income tax on the sale of our ordinary shares, the payment of the consideration may be subject to withholding of Israeli tax at the source. Accordingly, shareholders may be required to demonstrate that they are exempt from tax on their capital gains in order to avoid withholding at source at the time of sale.

Tax Benefits Under the 2011 Amendment

On January 1, 2011, new legislation amending the Investment Law came into effect, or the 2011 Amendment. The 2011 Amendment introduced a new status of Preferred Enterprise. Subject to certain conditions, a Preferred Enterprise entitles the company to reduced corporate tax rates, without limitations on dividends and other distributions, instead of full exemption from corporate tax. These preferred corporate tax rates vary from 7.5% for Preferred Enterprises residing in a "development zone," or 16.0% for Preferred Enterprises residing in other zones in Israel.

In order to gain the status of Preferred Enterprise, a company must meet the conditions of competitive industrial company that contributes to the GDP or compatative industrial company in the field of renewable energy.

Estate Tax

Currently, Israeli law does not impose estate taxes.

Material U.S. Federal Income Tax Considerations to U.S. Holders

The following discussion describes the material U.S. federal income tax considerations relating to the ownership and disposition of our ordinary shares by U.S. Holders (as defined below). This discussion applies to U.S. Holders that purchase ordinary shares pursuant to the offering and hold such ordinary shares as capital assets within the meaning of Section 1221 of the Code. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, U.S. Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect. This discussion does not address all of the U.S. federal income tax consequences that may be relevant to specific U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special treatment under U.S. federal income tax law (such as certain financial institutions, insurance companies, broker-dealers and traders in securities or other persons that generally mark their securities to market for U.S. federal income tax purposes, tax-exempt entities, retirement plans, regulated investment companies, real estate investment trusts, certain former citizens or residents of the United States, persons who hold ordinary shares as part of a "straddle," "hedge," "conversion transaction," "synthetic security" or integrated investment, persons who received their ordinary shares as compensatory payments, persons that have a "functional currency" other than the U.S. dollar, persons that own directly, indirectly or through attribution 10% or more of our shares by vote or value, persons subject to special tax accounting rules

as a result of any item of gross income with respect to the shares being taken into account in an applicable financial statement, corporations that accumulate earnings to avoid U.S. federal income tax, partnerships and other pass-through entities, and investors in such pass-through entities). This discussion does not address any U.S. state or local or non-U.S. tax consequences or any U.S. federal estate, gift or alternative minimum tax or Medicare tax consequences.

As used in this discussion, the term "U.S. Holder" means a beneficial owner of ordinary shares that is, for U.S. federal income tax purposes, (1) an individual who is a citizen or resident of the United States, (2) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (3) an estate the income of which is subject to U.S. federal income tax regardless of its source or (4) a trust (x) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its substantial decisions or (y) that has elected under applicable U.S. Treasury regulations to be treated as a domestic trust for U.S. federal income tax purposes.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds ordinary shares, the U.S. federal income tax consequences relating to an investment in the ordinary shares will depend in part upon the status and activities of such entity or arrangement and the particular partner. Any such entity or arrangement should consult its own tax advisor regarding the U.S. federal income tax consequences applicable to it and its partners of the purchase, ownership and disposition of ordinary shares.

Persons considering an investment in ordinary shares should consult their own tax advisors as to the particular tax consequences applicable to them relating to the purchase, ownership and disposition of ordinary shares, including the applicability of U.S. federal, state and local tax laws and non-U.S. tax laws.

Passive Foreign Investment Company Consequences

In general, a corporation organized outside the United States will be treated as a passive foreign investment company, or PFIC, for any taxable year in which either (1) at least 75% of its gross income is "passive income", the PFIC income test, or (2) on average at least 50% of its assets, determined on a quarterly basis, are assets that produce passive income or are held for the production of passive income, the PFIC asset test. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents, and gains from the sale or exchange of property that gives rise to passive income. Assets that produce or are held for the production of passive income generally include cash, even if held as working capital or raised in a public offering, marketable securities, and other assets that may produce passive income. Generally, in determining whether a non-U.S. corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account.

Our status as a PFIC will depend on the nature and composition of our income and the nature, composition and value of our assets (which, assuming we are not a "controlled foreign corporation," or a CFC, under Section 957(a) of the Internal Revenue Code of 1986, as amended, or the Code, for the year being tested, may be determined based on the fair market value of each asset, with the value of goodwill and going concern value being determined in large part by reference to the market value of our common shares, which may be volatile). Based upon the expected value of our assets, including any goodwill and the expected nature and composition of our income and assets, we may be classified as a PFIC for the taxable year ending December 31, 2020 and future taxable years. In particular, so long as we do not generate revenue from operations for any taxable year and do not receive any research and development grants, or even if we receive a research and development grant, if such grant does not constitute gross income for U.S. federal income tax purposes, we likely will be classified as a PFIC for

such taxable year. Even if we determine that we are not a PFIC for a taxable year, there can be no assurance that the IRS will agree with our conclusion and that the IRS would not successfully challenge our position. Our status as a PFIC is a fact-intensive determination made on an annual basis after the end of each taxable year. Accordingly, our U.S. counsel expresses no opinion with respect to our PFIC status for our taxable year ending December 31, 2019, and also expresses no opinion with regard to our expectations regarding our PFIC status in the future.

If we are a PFIC in any taxable year during which a U.S. Holder owns ordinary shares, the U.S. Holder could be liable for additional taxes and interest charges under the "PFIC excess distribution regime" upon (1) a distribution paid during a taxable year that is greater than 125% of the average annual distributions paid in the three preceding taxable years, or, if shorter, the U.S. Holder's holding period for the ordinary shares, and (2) any gain recognized on a sale, exchange or other disposition, including a pledge, of the ordinary shares, whether or not we continue to be a PFIC. Under the PFIC excess distribution regime, the tax on such distribution or gain would be determined by allocating the distribution or gain ratably over the U.S. Holder's holding period for ordinary shares. The amount allocated to the current taxable year (i.e., the year in which the distribution occurs or the gain is recognized) and any year prior to the first taxable year in which we are a PFIC will be taxed as ordinary income earned in the current taxable year. The amount allocated to other taxable years will be taxed at the highest marginal rates in effect for individuals or corporations, as applicable, to ordinary income for each such taxable year, and an interest charge, generally applicable to underpayments of tax, will be added to the tax.

If we are a PFIC for any year during which a U.S. Holder holds ordinary shares, we must generally continue to be treated as a PFIC by that holder for all succeeding years during which the U.S. Holder holds the ordinary shares, unless we cease to meet the requirements for PFIC status and the U.S. Holder makes a "deemed sale" election with respect to the ordinary shares. If the election is made, the U.S. Holder will be deemed to sell the ordinary shares it holds at their fair market value on the last day of the last taxable year in which we qualified as a PFIC, and any gain recognized from such deemed sale would be taxed under the PFIC excess distribution regime. After the deemed sale election, the U.S. Holder's ordinary shares would not be treated as shares of a PFIC unless we subsequently become a PFIC.

If we are a PFIC for any taxable year during which a U.S. Holder holds ordinary shares and one of our non-U.S. corporate subsidiaries is also a PFIC (i.e., a lower-tier PFIC), such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC and would be taxed under the PFIC excess distribution regime on distributions by the lower-tier PFIC and on gain from the disposition of shares of the lower-tier PFIC even though such U.S. Holder would not receive the proceeds of those distributions or dispositions. Each U.S. Holder is advised to consult its tax advisors regarding the application of the PFIC rules to our non-U.S. subsidiaries.

If we are a PFIC, a U.S. Holder will not be subject to tax under the PFIC excess distribution regime on distributions or gain recognized on ordinary shares if such U.S. Holder makes a valid "mark-to-market" election for our ordinary shares. A mark-to-market election is available to a U.S. Holder only for "marketable stock." Our ordinary shares will be marketable stock as long as they remain listed on the Nasdaq Global Market and are regularly traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. If a mark-to-market election is in effect, a U.S. Holder generally would take into account, as ordinary income for each taxable year of the U.S. holder, the excess of the fair market value of ordinary shares held at the end of such taxable year over the adjusted tax basis of such ordinary shares. The U.S. Holder would also take into account, as an ordinary loss each year, the excess of the adjusted tax basis of such ordinary shares over their fair market value at the end of the taxable year, but only to the extent of the excess of amounts previously included in income over ordinary losses deducted as a result of the mark-to-market election. The U.S. Holder's tax basis in ordinary shares would be adjusted to reflect any income or loss recognized as a

result of the mark-to-market election. Any gain from a sale, exchange or other disposition of ordinary shares in any taxable year in which we are a PFIC would be treated as ordinary income and any loss from such sale, exchange or other disposition would be treated first as ordinary loss (to the extent of any net mark-to-market gains previously included in income) and thereafter as capital loss.

A mark-to-market election will not apply to ordinary shares for any taxable year during which we are not a PFIC, but will remain in effect with respect to any subsequent taxable year in which we become a PFIC. Such election will not apply to any non-U.S. subsidiaries that we may organize or acquire in the future. Accordingly, a U.S. Holder may continue to be subject to tax under the PFIC excess distribution regime with respect to any lower-tier PFICs that we may organize or acquire in the future notwithstanding the U.S. Holder's mark-to-market election for the ordinary shares.

The tax consequences that would apply if we are a PFIC would also be different from those described above if a U.S. Holder were able to make a valid qualified electing fund, or QEF, election. At this time, we do not expect to provide U.S. Holders with the information necessary for a U.S. Holder to make a QEF election. Prospective investors should assume that a QEF election will not be available.

Each U.S. person that is an investor of a PFIC is generally required to file an annual information return on IRS Form 8621 containing such information as the U.S. Treasury Department may require. The failure to file IRS Form 8621 could result in the imposition of penalties and the extension of the statute of limitations with respect to U.S. federal income tax.

The U.S. federal income tax rules relating to PFICs are very complex. Prospective U.S. investors are strongly urged to consult their own tax advisors with respect to the impact of PFIC status on the purchase, ownership and disposition of ordinary shares, the consequences to them of an investment in a PFIC, any elections available with respect to the ordinary shares and the IRS information reporting obligations with respect to the purchase, ownership and disposition of ordinary shares of a PFIC.

Distributions

As described in the section entitled "Dividend Policy," we do not anticipate declaring or paying dividends to holders of our common stock in the foreseeable future. However, if we make a distribution contrary to the expectation, subject to the discussion above under "*Passive Foreign Investment Company Consequences*," a U.S. Holder that receives a distribution with respect to ordinary shares generally will be required to include the gross amount of such distribution in gross income as a dividend when actually or constructively received to the extent of the U.S. Holder's pro rata share of our current and/or accumulated earnings and profits (as determined under U.S. federal income tax principles). To the extent a distribution received by a U.S. Holder is not a dividend because it exceeds the U.S. Holder's pro rata share of our current and accumulated earnings and profits, it will be treated first as a tax-free return of capital and reduce (but not below zero) the adjusted tax basis of the U.S. Holder's ordinary shares. To the extent the distribution exceeds the adjusted tax basis of the U.S. Holder's ordinary shares, the remainder will be taxed as capital gain. Because we may not account for our earnings and profits in accordance with U.S. federal income tax principles, U.S. Holders should expect all distributions to be reported to them as dividends.

Distributions on ordinary shares that are treated as dividends generally will constitute income from sources outside the United States for foreign tax credit purposes and generally will constitute passive category income. Subject to certain complex conditions and limitations, Israeli taxes withheld on any distributions on ordinary shares may be eligible for credit against a U.S. Holder's federal income tax liability. The rules relating to the determination of the U.S. foreign tax credit are complex, and U.S. Holders should consult their tax advisors regarding the availability of a foreign tax credit in their particular circumstances and the possibility of claiming an itemized deduction (in lieu of the foreign tax credit) for any foreign taxes paid or withheld.

Dividends paid by a "qualified foreign corporation" are eligible for taxation to non-corporate U.S. holders at a reduced capital gains rate rather than the marginal tax rates generally applicable to ordinary income provided that certain requirements are met. Each U.S. Holder is advised to consult its tax advisors regarding the availability of the reduced tax rate on dividends with regard to its particular circumstances. Each U.S. Holder is advised to consult its tax advisors regarding the availability of the reduced tax rate on dividends with regard to its particular circumstances. Distributions on ordinary shares that are treated as dividends generally will not be eligible for the "dividends received" deduction generally allowed to corporate shareholders with respect to dividends received from U.S. corporations.

A non-United States corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) generally will be considered to be a qualified foreign corporation (a) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information provision, or (b) with respect to any dividend it pays on ordinary shares that are readily tradable on an established securities market in the United States. We believe that we qualify as a resident of Israel for purposes of, and are eligible for the benefits of, the U.S.-Israel Treaty, although there can be no assurance in this regard. Further, the IRS has determined that the U.S.-Israel Treaty is satisfactory for purposes of the qualified dividend rules and that it includes an exchange of information provision. Our ordinary shares will also generally be considered to be readily tradable on an established securities market in the United States if they are listed on The Nasdaq Global Market, as we intend the ordinary shares to be. Therefore, subject to the discussion above under "*Passive Foreign Investment Company Consequences*," if the U.S.-Israel Treaty is applicable, or if our ordinary shares are readily tradable on an established securities market in the United States, such dividends will generally be "qualified dividend income" in the hands of individual U.S. Holders, provided that certain conditions are met, including holding period and the absence of certain risk reduction transaction requirements. Each U.S. Holder is advised to consult its tax advisors regarding the availability of the reduced tax rate on dividends with regard to its particular circumstances.

Sale, Exchange or Other Disposition of Ordinary Shares

Subject to the discussion above under "*Passive Foreign Investment Company Consequences*," a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes upon the sale, exchange or other disposition of ordinary shares in an amount equal to the difference, if any, between the amount realized (i.e., the amount of cash plus the fair market value of any property received) on the sale, exchange or other disposition and such U.S. Holder's adjusted tax basis in the ordinary shares. Such capital gain or loss generally will be long-term capital gain taxable at a reduced rate for non-corporate U.S. Holders or long-term capital loss if, on the date of sale, exchange or other disposition, the ordinary shares were held by the U.S. Holder for more than one year. Any capital gain of a non-corporate U.S. Holder that is not long-term capital gain is taxed at ordinary income rates. The deductibility of capital losses is subject to limitations. Any gain or loss recognized from the sale or other disposition of ordinary shares will generally be gain or loss from sources within the United States for U.S. foreign tax credit purposes.

Information Reporting and Backup Withholding

U.S. Holders may be required to file certain U.S. information reporting returns with the IRS with respect to an investment in ordinary shares, including, among others, IRS Form 8938 (Statement of Specified Foreign Financial Assets). As described above under "*Passive Foreign Investment Company Consequences*", each U.S. Holder who is a shareholder of a PFIC must file an annual report containing certain information. U.S. Holders paying more than US\$100,000 for ordinary shares may be required to file IRS Form 926 (Return by a U.S. Transferor of Property to a Foreign Corporation) reporting this

payment. Substantial penalties may be imposed upon a U.S. Holder that fails to comply with the required information reporting.

Dividends on and proceeds from the sale or other disposition of ordinary shares may be reported to the IRS unless the U.S. Holder establishes a basis for exemption. Backup withholding may apply to amounts subject to reporting if the holder (1) fails to provide an accurate United States taxpayer identification number or otherwise establish a basis for exemption (usually on IRS Form W-9), or (2) is described in certain other categories of persons. However, U.S. Holders that are corporations generally are excluded from these information reporting and backup withholding tax rules. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability if the required information is furnished by the U.S. Holder on a timely basis to the IRS.

U.S. Holders should consult their own tax advisors regarding the backup withholding tax and information reporting rules.

EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN ORDINARY SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

UNDERWRITING

Barclays Capital Inc. is acting as the representative of the underwriters and the sole book-running manager of this offering. Under the terms of an underwriting agreement, which will be filed as an exhibit to the registration statement, each of the underwriters named below has severally agreed to purchase from us the respective number of ordinary shares shown opposite its name below:

<u>Underwriters</u>	<u>Number of Shares</u>
Barclays Capital Inc.	
BMO Capital Markets Corp.	
Raymond James & Associates, Inc.	
National Securities Corporation	
ODDO BHF SCA	
A.G.P./Alliance Global Partners	
Total	<u>3,125,000</u>

The underwriting agreement provides that the underwriters' obligation to purchase ordinary shares depends on the satisfaction of the conditions contained in the underwriting agreement including:

- the obligation to purchase all of the ordinary shares offered hereby (other than those ordinary shares covered by their option to purchase additional ordinary shares as described below), if any of the ordinary shares are purchased;
- the representations and warranties made by us to the underwriters are true;
- there is no material change in our business or the financial markets; and
- we deliver customary closing documents to the underwriters.

Commissions and Expenses

The following table summarizes the underwriting discounts and commissions we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional ordinary shares. The underwriting fee is the difference between the initial price to the public and the amount the underwriters pay to us for the ordinary shares.

	<u>No Exercise</u>	<u>Full Exercise</u>
Per ordinary share	\$	\$
Total	\$	\$

Barclays Capital Inc. has advised us that the underwriters propose to offer the ordinary shares directly to the public at the public offering price on the cover of this prospectus and to selected dealers, which may include the underwriters, at such offering price less a selling concession not in excess of \$ per ordinary share. If all the ordinary shares are not sold at the initial offering price following the initial offering, the representative may change the offering price and other selling terms.

The expenses of the offering that are payable by us are estimated to be approximately \$1.6 million (excluding underwriting discounts and commissions). We have also agreed to reimburse the underwriters for certain FINRA-related and other expenses incurred by them in connection with this offering in an amount up to \$35,000.

National Securities Corporation, one of the underwriters, received warrants to purchase 200,596 Series E-1 preferred shares as partial consideration for acting as the placement agent for our 2019 private placement of Series E-1 preferred shares. Such warrants are deemed to be underwriting

compensation pursuant to FINRA Rule 5110 and will be subject to the lock-up restrictions required by FINRA Rule 5110(g).

Option to Purchase Additional Ordinary Shares

We have granted the underwriters an option exercisable for 30 days after the date of this prospectus to purchase, from time to time, in whole or in part, up to an aggregate of 468,750 ordinary shares from us at the public offering price less underwriting discounts and commissions. This option may be exercised to the extent the underwriters sell more than 3,125,000 ordinary shares in connection with this offering. To the extent that this option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase its pro rata portion of these additional ordinary shares based on the underwriter's percentage underwriting commitment in the offering as indicated in the table at the beginning of this section.

Lock-Up Agreements

We, all of our directors and executive officers and holders of substantially all of our outstanding ordinary shares have agreed that, for a period of 180 days after the date of this prospectus subject to certain limited exceptions as described below, we and they will not directly or indirectly, without the prior written consent of Barclays Capital Inc., offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of any ordinary shares, or any options or warrants to purchase any ordinary shares, or any securities convertible into, exchangeable for or that represent the right to receive ordinary shares, whether now owned or hereinafter acquired, owned directly by the undersigned (including holding as a custodian) or with respect to which the undersigned has beneficial ownership, or engage in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of ordinary shares.

Barclays Capital Inc., in its sole discretion, may release the ordinary shares and other securities subject to the lock-up agreements described above in whole or in part at any time. When determining whether or not to release ordinary shares and other securities from lock-up agreements, Barclays Capital Inc. will consider, among other factors, the holder's reasons for requesting the release, the number of ordinary shares and other securities for which the release is being requested and market conditions at the time. At least three business days before the effectiveness of any release or waiver of any of the restrictions described above with respect to an officer or director, Barclays Capital Inc. will notify us of the impending release or waiver and we have agreed to announce the impending release or waiver by press release through a major news service at least two business days before the effective date of the release or waiver, except where the release or waiver is effected solely to permit a transfer of ordinary shares that is not for consideration and where the transferee has agreed in writing to be bound by the same terms as the lock-up agreements described above to the extent and for the duration that such terms remain in effect at the time of transfer.

Offering Price Determination

Prior to this offering, there has been no public market for our ordinary shares. The initial public offering price was negotiated between the representative and us. In determining the initial public offering price of our ordinary shares, the representative considered:

- the history and prospects for the industry in which we compete;
- our financial information;
- the ability of our management and our business potential and earning prospects;
- the prevailing securities markets at the time of this offering; and
- the recent market prices of, and the demand for, publicly traded shares of generally comparable companies.

Indemnification

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make for these liabilities.

Stabilization, Short Positions and Penalty Bids

The representative may engage in stabilizing transactions, short sales and purchases to cover positions created by short sales, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the ordinary shares, in accordance with Regulation M under the Exchange Act:

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- A short position involves a sale by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase in the offering, which creates the syndicate short position. This short position may be either a covered short position or a naked short position. In a covered short position, the number of shares involved in the sales made by the underwriters in excess of the number of shares they are obligated to purchase is not greater than the number of shares that they may purchase by exercising their option to purchase additional shares. In a naked short position, the number of shares involved is greater than the number of shares in their option to purchase additional shares. The underwriters may close out any short position by either exercising their option to purchase additional shares and/or purchasing shares in the open market. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through their option to purchase additional shares. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- Syndicate covering transactions involve purchases of the ordinary shares in the open market after the distribution has been completed in order to cover syndicate short positions.
- Penalty bids permit the representative to reclaim a selling concession from a syndicate member when the ordinary shares originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our ordinary shares or preventing or retarding a decline in the market price of the ordinary shares. As a result, the price of the ordinary shares may be higher than the price that might otherwise exist in the open market. These transactions may be effected on The Nasdaq Global Market or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the ordinary shares. In addition, neither we nor any of the underwriters make any representation that the representative will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Electronic Distribution

A prospectus in electronic format may be made available on the Internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to

allocate a specific number of ordinary shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representative on the same basis as other allocations.

Other than the prospectus in electronic format, the information on any underwriter's or selling group member's web site and any information contained in any other web site maintained by an underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

Listing on The Nasdaq Global Market

Application has been made to list our ordinary shares on The Nasdaq Global Market under the symbol "PYPD."

Stamp Taxes

If you purchase ordinary shares offered in this prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus.

Other Relationships

The underwriters and certain of their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and certain of their affiliates have, from time to time, performed, and may in the future perform, various commercial and investment banking and financial advisory services for the issuer and its affiliates, for which they received or may in the future receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and certain of their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer or its affiliates. If the underwriters or their affiliates have a lending relationship with us, the underwriters or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, the underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities or the securities of our affiliates, including potentially the ordinary shares offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the ordinary shares offered hereby. The underwriters and certain of their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

This prospectus does not constitute an offer to sell to, or a solicitation of an offer to buy from, anyone in any country or jurisdiction (i) in which such an offer or solicitation is not authorized, (ii) in which any person making such offer or solicitation is not qualified to do so or (iii) in which any such offer or solicitation would otherwise be unlawful. No action has been taken that would, or is intended to, permit a public offer of the ordinary shares or possession or distribution of this prospectus or any other offering or publicity material relating to the ordinary shares in any country or jurisdiction (other

than the United States) where any such action for that purpose is required. Accordingly, each underwriter has undertaken that it will not, directly or indirectly, offer or sell any ordinary shares or have in its possession, distribute or publish any prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of ordinary shares by it will be made on the same terms.

ODDO BHF SCA is not registered as a broker-dealer under the Exchange Act and will not engage in any offers or sales of our ordinary shares within the United States or to U.S. persons except to the extent permitted by Rule 15a-6 under the Exchange Act (and applicable SEC interpretive guidance issued in connection therewith) and other applicable securities laws.

European Economic Area and United Kingdom

In relation to each Member State of the European Economic Area and the United Kingdom (each, a "Relevant State"), no ordinary shares have been offered or will be offered pursuant to this offering to the public in that Relevant State prior to the publication of a prospectus in relation to the ordinary shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that offers of Shares may be made to the public in that Relevant State at any time:

- to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant underwriter or underwriters nominated by us for any such offer; or
- in any other circumstances falling within Article 1(4) of the Prospectus Regulation;

provided that no such offer of ordinary shares shall require the Issuer or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to any Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

United Kingdom

This prospectus has only been communicated or caused to have been communicated and will only be communicated or caused to be communicated as an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act of 2000 (the "FSMA")) as received in connection with the issue or sale of the ordinary shares in circumstances in which Section 21(1) of the FSMA does not apply to us. All applicable provisions of the FSMA will be complied with in respect to anything done in relation to the ordinary shares in, from or otherwise involving the United Kingdom.

Canada

The ordinary shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any

resale of the ordinary shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Switzerland

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

Neither this document nor any other offering or marketing material relating to the offering, the Company or the ordinary shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of ordinary shares will not be supervised by, the Swiss Financial Market Supervisory Authority, FINMA, and the offer of ordinary shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or CISA. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of ordinary shares.

Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001, or the Corporations Act, and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the ordinary shares may only be made to persons, which we refer to as Exempt Investors, who are "sophisticated investors" (within the meaning of Section 708(8) of the Corporations Act), "professional investors" (within the meaning of Section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in Section 708 of the Corporations Act so that it is lawful to offer the ordinary shares without disclosure to investors under Chapter 6D of the Corporations Act.

The ordinary shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under Section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring ordinary shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances and, if necessary, seek expert advice on those matters.

Hong Kong

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

Singapore

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

Where the ordinary shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation shall not be transferable for 6 months after that corporation has acquired the ordinary shares under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer in that corporation's securities pursuant to Section 275(1A) of the SFA, (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore, or Regulation 32.

Where the ordinary shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor, the beneficiaries' rights and interest (howsoever described) in that trust shall not be

transferable for 6 months after that trust has acquired the or under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than \$200,000 (or its equivalent in a foreign currency) for each transaction (whether such amount is to be paid for in cash or by exchange of securities or other assets), (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32.

Japan

No registration pursuant to Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the "FIEL") has been made or will be made with respect to the solicitation of the application for the acquisition of the ordinary shares.

Accordingly, the ordinary shares have not been, directly or indirectly, offered or sold and will not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements, and otherwise in compliance with, the FIEL and the other applicable laws and regulations of Japan.

For Qualified Institutional Investors, or QII

Please note that the solicitation for newly-issued or secondary securities (each as described in Paragraph 2, Article 4 of the FIEL) in relation to the ordinary shares constitutes either a "QII only private placement" or a "QII only secondary distribution" (each as described in Paragraph 1, Article 23-13 of the FIEL). Disclosure regarding any such solicitation, as is otherwise prescribed in Paragraph 1, Article 4 of the FIEL, has not been made in relation to the ordinary shares. The ordinary shares may only be transferred to QIIs.

For Non-QII Investors

Please note that the solicitation for newly-issued or secondary securities (each as described in Paragraph 2, Article 4 of the FIEL) in relation to the ordinary shares constitutes either a "small number private placement" or a "small number private secondary distribution" (each as is described in Paragraph 4, Article 23-13 of the FIEL). Disclosure regarding any such solicitation, as is otherwise prescribed in Paragraph 1, Article 4 of the FIEL, has not been made in relation to the ordinary shares. The ordinary shares may only be transferred en bloc without subdivision to a single investor.

Israel

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

EXPENSES OF THIS OFFERING

The following table sets forth the costs and expenses, other than the underwriting discounts and commissions, payable by us in connection with the sale of our ordinary shares being registered. All amounts are estimates except for the SEC registration fee, the FINRA filing fee and The Nasdaq Global Market listing fee.

Item	Amount to be Paid
SEC registration fee	\$ 7,930
FINRA filing fee	9,664
The Nasdaq Global Market listing fee	125,000
Printing and engraving expenses	250,000
Legal fees and expenses	850,000
Accounting fees and expenses	310,000
Miscellaneous expenses	47,406
Total	<u>\$ 1,600,000</u>

* To be filed by amendment.

LEGAL MATTERS

The validity of the issuance of our ordinary shares offered in this prospectus and certain other matters of Israeli law will be passed upon for us by Sullivan & Worcester Israel (Har-Even & Co.), Tel Aviv, Israel. Certain matters of U.S. federal law will be passed upon for us by Cooley LLP, New York, New York. Certain legal matters in connection with this offering will be passed upon for the underwriters by Yigal Arnon & Co., Tel Aviv, Israel, with respect to Israeli law, and Latham & Watkins LLP with respect to U.S. federal law.

EXPERTS

The consolidated financial statements as of December 31, 2019 and 2018 and for each of the two years in the period ended December 31, 2019 appearing in this Prospectus and Registration Statement have been audited by Kost, Forer, Gabbay & Kasierer, Certified Public Accountants (Israel), an independent registered public accounting firm and a member firm of Ernst & Young Global, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing. The address of Kost, Forer, Gabbay & Kasierer is Menachem Begin 144, Tel Aviv, Israel.

ENFORCEMENT OF CIVIL LIABILITIES

We are incorporated under the laws of the State of Israel. Service of process upon us and upon our directors and officers and the Israeli experts named in this registration statement, most of whom reside outside of the United States, may be difficult to obtain within the United States. Furthermore, because substantially all of our assets and substantially all of our directors and officers are located outside of the United States, any judgment obtained in the United States against us or any of our directors and officers may not be collectible within the United States.

We have been informed by our legal counsel in Israel, Sullivan & Worcester Israel (Har-Even & Co.), that it may be difficult to assert U.S. securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of U.S. securities laws reasoning that Israel is not the most appropriate forum to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law.

We have irrevocably appointed PolyPid Inc. as our agent to receive service of process in any action against us in any U.S. federal or state court arising out of this offering or any purchase or sale of securities in connection with this offering. Subject to specified time limitations and legal procedures, Israeli courts may enforce a U.S. judgment in a civil matter which, subject to certain exceptions, is non-appealable, including a judgment based upon the civil liability provisions of the Securities Act and the Exchange Act and including a monetary or compensatory judgment in a non-civil matter, provided that among other things:

- the judgment was obtained after due process before a court of competent jurisdiction, according to the laws of the state in which the judgment was given and the rules of private international law currently prevailing in Israel;
- the prevailing law of the foreign state in which the judgment was rendered allows for the enforcement of judgments of Israeli courts;
- adequate service of process has been effected and the defendant has had a reasonable opportunity to be heard and to present his or her evidence;
- the judgment is not contrary to public policy of Israel, and the enforcement of the civil liabilities set forth in the judgment is not likely to impair the security or sovereignty of Israel;

- the judgment was not obtained by fraud and do not conflict with any other valid judgments in the same matter between the same parties;
- an action between the same parties in the same matter is not pending in any Israeli court at the time the lawsuit is instituted in the foreign court; and
- the judgment is enforceable according to the laws of Israel and according to the law of the foreign state in which the relief was granted.

If a foreign judgment is enforced by an Israeli court, it generally will be payable in Israeli currency, which can then be converted into non-Israeli currency and transferred out of Israel. The usual practice in an action before an Israeli court to recover an amount in a non-Israeli currency is for the Israeli court to issue a judgment for the equivalent amount in Israeli currency at the rate of exchange in force on the date of the judgment, but the judgment debtor may make payment in foreign currency. Pending collection, the amount of the judgment of an Israeli court stated in Israeli currency ordinarily will be linked to the Israeli consumer price index plus interest at the annual statutory rate set by Israeli regulations prevailing at the time. Judgment creditors must bear the risk of unfavorable exchange rates.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form F-1 under the Securities Act relating to this offering of our ordinary shares. This prospectus does not contain all of the information contained in the registration statement. The rules and regulations of the SEC allow us to omit certain information from this prospectus that is included in the registration statement. Statements made in this prospectus concerning the contents of any contract, agreement or other document are summaries of all material information about the documents summarized, but are not complete descriptions of all terms of these documents. If we filed any of these documents as an exhibit to the registration statement, you may read the document itself for a complete description of its terms.

Our SEC filings are available to the public at the SEC's website at <http://www.sec.gov>. Upon completion of this offering, we will be subject to the information reporting requirements of the Exchange Act that are applicable to foreign private issuers, and under those requirements will file reports with the SEC. As a foreign private issuer, we will be exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders will be exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

We maintain a corporate website at <http://www.polypid.com>. Information contained on, or that can be accessed through, our website does not constitute a part of this prospectus.

POLYPID LTD.
CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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POLYPID LTD.
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2020

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POLYPID LTD. AND ITS SUBSIDIARY

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REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors of

POLYPID LTD.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Polypid Ltd. and subsidiary (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations, changes in convertible preferred shares and shareholders' deficiency and cash flows for each of the two years in the period ended December 31, 2019 and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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

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

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

/s/ KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global
We have served as the Company's auditor since 2010.
Tel-Aviv, Israel
February 24, 2020

Except for Notes 1(d), 2(n), 7, 9, 10, 12, 13, and 15, to which the date is June 21, 2020

POLYPID LTD. AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share and per share data)

	<u>December 31,</u>		<u>Pro forma as of</u>
	<u>2018</u>	<u>2019</u>	<u>December 31,</u>
			<u>2019</u>
			<u>(Unaudited)</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 7,327	\$ 3,924	\$ 3,937
Restricted cash	221	375	375
Short-term deposits	—	22,685	22,685
Prepaid expenses and other receivables	486	417	417
Total current assets	<u>8,034</u>	<u>27,401</u>	<u>27,414</u>
Long-term assets:			
Property and equipment, net	6,189	6,121	6,121
Other long-term assets	261	230	230
Total long-term assets	<u>6,450</u>	<u>6,351</u>	<u>6,351</u>
Total assets	<u>\$ 14,484</u>	<u>\$ 33,752</u>	<u>\$ 33,765</u>
LIABILITIES, CONVERTIBLE PREFERRED SHARES AND SHAREHOLDERS' (DEFICIENCY) EQUITY			
CURRENT LIABILITIES:			
Trade payables	\$ 1,132	\$ 1,581	\$ 1,581
Other payables and accrued expenses	2,557	998	998
Total current liabilities	<u>3,689</u>	<u>2,579</u>	<u>2,579</u>
Long-term liabilities:			
Other liabilities	232	251	251
Warrants to convertible preferred shares	22,926	12,241	—
Total long-term liabilities	<u>23,158</u>	<u>12,492</u>	<u>251</u>
Commitments and contingencies			
Convertible preferred shares:			
Preferred A, A-1, B, B-1, C-1, C-2, D-1, D-3, E and E-1 shares with no par value—Authorized: 17,916,412 and 16,004,412 shares at December 31, 2019 and 2018, respectively; Issued and outstanding: 12,520,977 and 9,454,433 shares at December 31, 2019 and 2018, respectively; Aggregate liquidation preference of \$161,198 at December 31, 2019; no shares issued and outstanding pro forma as of December 31, 2019	69,347	106,313	—
Shareholders' (deficiency) equity:			
Share capital—			
Ordinary shares with no par value—Authorized: 22,466,000 and 19,598,000 shares at December 31, 2019 and 2018, respectively; Issued and outstanding: 562,748 and 561,225 shares at December 31, 2019 and 2018; 13,296,451 shares issued and outstanding pro forma as of December 31, 2019.	—	—	—
Additional paid-in capital	4,688	5,671	124,238
Accumulated deficit	(86,398)	(93,303)	(93,303)
Total shareholders' (deficiency) equity	<u>(81,710)</u>	<u>(87,632)</u>	<u>30,935</u>
Total liabilities, convertible preferred shares and shareholders' equity	<u>\$ 14,484</u>	<u>\$ 33,752</u>	<u>\$ 33,765</u>
<u>June 21, 2020</u>	<u>/s/ Amir Weisberg</u>		<u>/s/ Dikla Czaczkes-Akselbrad</u>
Date of approval of the consolidated financial statements	Amir Weisberg <i>Chief Executive Officer and Director</i>		Dikla Czaczkes-Akselbrad <i>Executive Vice President and Chief Financial Officer</i>

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

POLYPID LTD. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands (except share and per share data)

	Year ended December 31,	
	2018	2019
Operating expenses:		
Research and development, net	\$ 12,550	\$ 14,083
General and administrative	5,814	4,477
Operating loss	18,364	18,560
Financial income, net	(24,281)	(11,655)
Net (profit) loss	\$ (5,917)	\$ 6,905
Basic net (profit) loss per ordinary share	\$ (0.16)	\$ 23.69
Diluted net loss per ordinary share	\$ 0.86	\$ 23.69
Weighted average number of ordinary shares used in computing basic net loss per share	561,113	562,451
Weighted average number of ordinary shares used in computing diluted net loss per share	613,358	562,451
Pro forma basic and diluted net loss per ordinary share (unaudited)		\$ 1.13
Weighted average number of ordinary shares used in computing basic and diluted net loss per share—pro forma (unaudited)		11,815,336

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

POLYPID LTD. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED SHARES AND CHANGES IN SHAREHOLDERS' DEFICIENCY

U.S. dollars in thousands (except share data)

	Convertible Preferred shares			Shareholders' deficiency			
	Number of shares	Amount	Total	Number of ordinary shares	Additional paid-in capital	Accumulated deficit	Total shareholders' deficiency
Balances as of January 1, 2018	8,736,425	\$ 59,983	\$ 59,983	558,447	\$ 3,669	\$ (92,315)	\$ (88,646)
Exercise of options	—	—	—	2,778	24	—	24
Share-based compensation	—	—	—	—	995	—	995
Issuance of series E-1 Preferred shares, net*	718,008	9,364	9,364	—	—	—	—
Net profit	—	—	—	—	—	5,917	5,917
Balances as of December 31, 2018	9,454,433	69,347	69,347	561,225	4,688	(86,398)	(81,710)
Exercise of options	—	—	—	1,523	7	—	7
Share-based compensation	—	—	—	—	976	—	976
Issuance of series E-1 Preferred shares, net**	3,066,544	36,966	36,966	—	—	—	—
Net loss	—	—	—	—	—	(6,905)	(6,905)
Balances as of December 31, 2019	<u>12,520,977</u>	<u>\$ 106,313</u>	<u>\$ 106,313</u>	<u>562,748</u>	<u>\$ 5,671</u>	<u>\$ (93,303)</u>	<u>\$ (87,632)</u>

* Net of issuance costs of \$ 187 in cash.

** Net of issuance costs of \$ 3,822 in cash and warrants

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

POLYPID LTD. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	<u>Year ended December 31,</u>	
	<u>2018</u>	<u>2019</u>
<i>Cash flows from operating activities:</i>		
Net (loss) profit	\$ 5,917	\$ (6,905)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>		
Depreciation	411	947
Re-evaluation of warrants	(24,473)	(11,365)
Share-based compensation	995	976
<i>Changes in assets and liabilities:</i>		
Increase in receivables and prepaid expenses	306	69
Decrease in deferred equity offering costs	1,088	—
Decrease in advances on account of collaboration agreement	(600)	—
Increase in other long-term assets	5	11
Increase (decrease) in trade payables	(887)	449
Increase (decrease) in other payables and accrued expenses and other liabilities	560	(1,540)
Net cash used in operating activities	<u>(16,678)</u>	<u>(17,358)</u>
<i>Cash flows from investing activities:</i>		
Short-term deposits, net	14,031	(22,685)
Purchase of property and equipment	(3,074)	(879)
Net cash provided by (used in) investing activities	<u>10,957</u>	<u>(23,564)</u>
<i>Cash flows from financing activities:</i>		
Proceeds from issuance of convertible preferred shares and warrants, net	9,364	37,646
Proceeds from exercise of options	24	7
Net cash provided by financing activities	<u>9,388</u>	<u>37,653</u>
Increase (decrease) in cash, cash equivalents and restricted cash	3,667	(3,269)
Cash, cash equivalents and restricted cash at the beginning of the year	4,100	7,767
Cash, cash equivalents and restricted cash at the end of the year	<u>\$ 7,767</u>	<u>\$ 4,498</u>
<i>Non-cash activity:</i>		
Purchase of property and equipment included in trade payable	<u>600</u>	<u>—</u>
Issuance of E-1 warrants	<u>—</u>	<u>680</u>

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

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 1:—GENERAL

- a. Polypid Ltd. (the "Company") was incorporated under the laws of Israel and commenced operations on February 28, 2008. The Company is a Phase 3 clinical-stage pharmaceutical company focused on developing and commercializing novel, locally administered therapies using its PLEX (Polymer-Lipid Encapsulation matrix) technology. The Company's product candidates are designed to address diseases with high unmet medical needs by pairing PLEX technology with drugs already approved by the U.S. Food and Drug Administration. The Company's lead product candidate, D-PLEX₁₀₀, is in potentially pivotal Phase 3 trials for the prevention of abdominal (soft tissue) and sternal (bone) surgical site infections.

The Company wholly owns subsidiaries in the United States of America and Romania.

Through December 31, 2019, the Company has been primarily engaged in research and development.

- b. The Company's activities since inception have consisted of performing research and development activities. Successful completion of the Company's development programs and, ultimately, the attainment of profitable operations are dependent on future events, including, among other things, its ability to secure financing; obtain marketing approval from regulatory authorities; access potential markets; and build a sustainable customer base; attract, retain and motivate qualified personnel; and develop strategic alliances. The Company's operations are funded by its shareholders and research and development grants and the Company intends to seek further private or public financing as well as make applications for further research and development grants for continuing its operations. Although management believes that the Company will be able to successfully fund its operations, there can be no assurance that the Company will be able to do so or that the Company will ever operate profitably.

The Company expects to continue to incur substantial losses over the next several years during its clinical development phase. To fully execute its business plan, the Company will need to complete Phase 3 clinical trials and certain development activities as well as manufacture the required clinical and commercial production batches in the pilot manufacturing plant. Further, the Company's product candidates will require regulatory approval prior to commercialization and the Company will need to establish sales, marketing and logistic infrastructures. These activities may span many years and require substantial expenditures to complete and may ultimately be unsuccessful. Any delays in completing these activities could adversely impact the Company.

As of December 31, 2019, the Company had cash, cash equivalents and short-term deposits of \$26,609. During the year ended December 31, 2019, the Company incurred a net loss of \$6,905 and had negative cash flows from operating activities of \$17,358. In addition, the Company had an accumulated deficit of \$93,303 at December 31, 2019.

Management plans to seek additional equity financing through private and public offerings or strategic partnerships and, in the longer term, by generating revenues from product sales.

The Company's future operations are highly dependent on a combination of factors, including (i) the timely and successful completion of additional financing discussed above; (ii) completion of all required clinical studies; (iii) the success of its research and development; activities; (iv) manufacture of all required clinical and commercial production batches; (v) marketing approval by

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 1:—GENERAL (Continued)

the relevant regulatory authorities; and (vi) market acceptance of the Company's product candidates.

There can be no assurance that the Company will be successful in obtaining additional financing on favorable terms, or at all or will succeed in achieving the clinical, scientific and commercial milestones as detailed above.

- c. On December 30, 2018 the Company received a notice from MIS Implants Technologies Ltd. ("MIS") terminating the Memorandum of Understanding (the "MOU") signed in February, 2013. The MOU granted MIS an exclusive right to market a specific dental application of the Company's technology for a period of at least 5 years, starting after receipt of either European Medicines Agency ("EMA") marketing approval or U.S. Food and Drug Administration ("FDA") regulatory approval and beginning of commercialized sales in the applicable market, accordingly.

Through December 31, 2018, milestone payments totaling \$600 were received by the Company from MIS. These amounts were recorded as an advance on account of the collaboration agreement. Following receipt of the MIS termination notice, the Company presented the full amount as part of its accrued expenses which was fully repaid in February 2019.

- d. On June 21, 2020 the Board of Directors resolved to consolidate the Company share capital by applying a reverse share split at a ratio of 1.046:1 (the "Reverse Split Ratio") and to cancel the par value such that every 1.046 Ordinary shares of NIS 0.8 par value, will be substituted by 1 ordinary share with no par value, (the "Split"). The Split shall be applied in the same proportion and manner to all of the Company's Ordinary shares, including Ordinary shares issued upon conversion of the Company's Convertible Preferred shares and Ordinary shares underlying options and warrants in accordance with their respective terms and constituted documents. (See Note 10a).

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES

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

- a. Use of estimates:

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. On an ongoing basis, the Company's management evaluates estimates, including those related to fair values of convertible preferred shares warrants, fair values of share-based awards, deferred taxes, and contingent liabilities. Such estimates are based on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

- b. Consolidated financial statements in U.S. dollars:

The accompanying consolidated financial statements have been prepared in U.S. dollars.

POLYPID LTD. AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****U.S. dollars in thousands (except share and per share data)****NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A substantial portion of the Company's expenses are incurred in New Israeli Shekels. However, the Company finances its operations mainly in U.S. dollars, a substantial portion of its expenses are incurred in U.S. dollars and potential revenues from its primary markets are anticipated to be generated in U.S. dollars. As such, the Company's management believes that the U.S. dollar is the currency of the primary economic environment in which the Company operates. Thus, the functional and reporting currency of the Company is the U.S. dollar.

Transactions and balances denominated in U.S. dollars are presented at their original amounts. Monetary accounts maintained in currencies other than the dollar are re-measured into dollars in accordance with Accounting Standards Codification No. 830, "Foreign Currency Matters" ("ASC 830"). All transaction gains and losses of the re-measurement of monetary balance sheet items are reflected in the statements of operations as financial income or expenses, as appropriate.

c. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiary. Intercompany balances have been eliminated upon consolidation.

d. Cash equivalents:

Cash equivalents are short-term, highly liquid investments that are readily convertible into cash with an original maturity of three months or less, at the date acquired.

e. Restricted cash:

Restricted cash is primarily invested in certificates of deposit and is used as security for the Company's lease commitments and hedging activities. The following table provides a reconciliation of the cash and cash equivalents balances reported on the balance sheets and the cash, cash equivalents and restricted cash balances reported in the statements of cash flows:

	<u>December 31,</u>	
	<u>2018</u>	<u>2019</u>
Cash and cash equivalents, as reported on the balance sheets	\$ 7,327	\$ 3,924
Restricted cash, as reported on the balance sheets	221	375
Restricted cash in other long-term assets, as reported on the balance sheets	219	199
Cash, cash equivalents, and restricted cash, as reported in the statements of cash flows	<u>\$ 7,767</u>	<u>\$ 4,498</u>

f. Short-term deposits:

A short-term bank deposit is a deposit with a maturity of more than three months but less than one year. Deposits in U.S. dollars bear interest at rates ranging from 2.28%-2.5%, per annum, as of December 31, 2019. The Company had no short-term deposits as of December 31, 2018. Short-term deposits are presented at cost, which approximates market value due to their short maturities.

POLYPID LTD. AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****U.S. dollars in thousands (except share and per share data)****NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)**

g. Property and equipment, net:

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

	%
Computers, software and laboratory equipment	15 - 33
Furniture and office equipment	7 - 15
Leasehold improvements	Over the shorter of the term of the lease or its useful life

h. Impairment of long-lived assets:

The Company's long-lived assets are reviewed for impairment in accordance with ASC 360, "Property, Plant and Equipment" ("ASC 360"), whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. As of December 31, 2019, no impairment losses have been identified.

i. Research and development expenses:

Research and development expenses consist of personnel costs (including salaries, benefits and share-based compensation), materials, consulting fees and payments to subcontractors, chemical, manufacturing and control activities, costs associated with obtaining regulatory approvals, executing pre-clinical and clinical studies and maintenance and prosecution of the Company's intellectual property rights. In addition, research and development expenses include overhead allocations consisting of various administrative and facilities related costs. The Company charges research and development expenses as expenses when incurred.

Grants from the Israeli Innovation Authority (IIA) and the European Commission's Seventh Framework Programme for Research (FP7) are offset against research and development costs at the later of when grant receipt is assured or the expenses are incurred.

j. Deferred Offering Costs:

Deferred offering costs consist primarily of accounting, legal, and other fees related to the Company's proposed initial public offering. Upon consummation of the initial public offering, the deferred offering costs will be reclassified to shareholders' (deficit) equity and recorded against the proceeds from the offering. In the event the offering is aborted, deferred offering costs will be expensed. No offering costs were capitalized as of December 31, 2019.

k. Basic and diluted net loss (profit) per share:

The Company computes net loss (profit) per share using the two-class method required for participating securities. The two-class method requires income available to ordinary shareholders

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

for the period to be allocated between ordinary shares and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. The Company considers its convertible preferred shares to be participating securities as the holders of the convertible preferred shares would be entitled to dividends that would be distributed to the holders of ordinary shares, on a pro-rata basis, on an as-converted basis. These participating securities do not contractually require the holders of such shares to participate in the Company's losses. As such, during the periods when we are in a net loss position, the net loss attributable to ordinary shareholders was not allocated to the convertible preferred shares under the two-class method as these securities do not have a contractual obligation to share in our losses.

The Company's basic net loss per share is calculated by dividing net loss (profit) attributable to ordinary shareholders by the weighted-average number of shares of ordinary shares outstanding for the period, without consideration of potentially dilutive securities. The diluted net loss per share is calculated by giving effect to all potentially dilutive securities outstanding for the period using the treasury share method or the if-converted method based on the nature of such securities. Diluted net loss per share is the same as basic net loss per share in periods when the effects of potentially dilutive shares of ordinary shares are anti-dilutive.

l. Unaudited pro forma net loss per share attributable to ordinary shareholders:

Unaudited pro forma basic and diluted net loss per share attributable to ordinary shareholders for the year ended December 31, 2019 has been computed to give effect to the conversion of convertible preferred shares and warrants A to convertible preferred shares into ordinary shares, adjusted for the anti-dilution adjustment of the Company's Series E-1 Convertible Preferred shares pursuant to their price protection conversion rights upon completion of an initial public offering (assuming the issuance of such shares at an initial public offering price of \$16.00 per share, the mid-point of the price range set forth on the cover of this prospectus), as of the beginning of the period or the original date of issuance, if later.

m. Accounting for share-based payments:

The Company accounts for share based compensation in accordance with ASC No. 718, "Compensation—Stock Compensation" that requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The Company recognizes compensation expenses for the value of its awards granted based on the straight-line attribution method over the requisite service period of each of the awards. The Company recognizes forfeitures of awards as they occur.

The Company selected the Black-Scholes-Merton Option-Pricing Model (OPM) as the most appropriate fair value method for its option awards. The OPM requires a number of assumptions, of which the most significant are the expected share price, volatility and the expected option term.

The fair value of Ordinary shares underlying the options has historically been determined by management and the board of directors. As there has been no public market for the Company's Ordinary shares, the board of directors has determined fair value of an Ordinary share at the time of grant of the option by considering a number of objective and subjective factors including data from other comparable companies, sales of convertible preferred shares to unrelated third parties, operating and financial performance, the lack of liquidity of share capital and general and industry

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

specific economic outlook, amongst other factors. The fair value of the underlying Ordinary shares will be determined by the board of directors until such time as the Company's Ordinary shares are listed on an established share exchange or national market system. The Company's board of directors determined the fair value of Ordinary shares based on valuations performed using the OPM method for the years ended December 31, 2019 and 2018.

The computation of expected volatility is based on actual historical share price volatility of comparable companies. Expected term of options granted is calculated using the average between the vesting period and the contractual term to the expected term of the options in effect at the time of grant. The Company has historically not paid dividends and has no foreseeable plans to pay dividends and, therefore, uses an expected dividend yield of zero in the option pricing model. The risk-free interest rate is based on the yield of U.S. treasury bonds with equivalent terms as the expected term of the options.

The fair value for options granted to employees during 2019 is estimated at the date of grant using the Black-Scholes-Merton OPM with the following assumptions: expected volatility of 69.8%-76.14%, risk free interest rates of 2.26%-3.13%, dividend yield of 0%, and an expected term of 6-7 years.

The fair value for options granted to employees during 2018 was estimated at the date of grant using the Black-Scholes-Merton Option Pricing Model with the following assumptions: expected volatility of 91.44%-96.87%, risk free interest rates of 3.43%-3.90%, dividend yield of 0%, and an expected term of 6-7 years.

The Company accounts for options granted to consultants and other service providers under ASC 718 and ASC 505, "Equity-based payments to non-employees." The fair value of these options was estimated using the Black-Scholes Option Pricing Model. The fair value is re-measured at each reporting date for all unvested options in accordance with ASC 505.

Total share-based compensation expenses related to employees, consultants and other service providers for the years ended December 31, 2019 and 2018, amounted to \$ 976 (of which \$466 related to non-employees) and \$995 (of which \$337 related to non-employees), respectively.

n. Unaudited pro forma balance sheet and pro forma net loss per ordinary share:

The Company is contemplating the filing of a Registration Statement with the U.S. Securities and Exchange Commission to register the offer and sale of the Company's Ordinary shares in connection with the Company's planned qualified initial public offering ("Qualified IPO") in accordance with the Company's Amended and Restated Articles of Association.

A Qualified IPO is defined as a closing of an offering by the Company of its securities to the public in a bona fide underwriting arrangement under the U.S. Securities Act of 1933, as amended, the Israeli Securities Law or similar securities law of another jurisdiction, with gross offering proceeds of not less than \$22,000.

Immediately prior to the closing of the Qualified IPO, all of the issued and outstanding preferred shares will be automatically converted into ordinary shares. The unaudited pro forma balance sheet as of December 31, 2019 has been prepared assuming the automatic conversion of all outstanding preferred shares and A warrants into 12,733,703 ordinary shares, adjusted for the anti-dilution

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

adjustment of the Company's Series E-1 Convertible Preferred shares pursuant to their price protection conversion rights upon completion of an initial public offering (assuming the issuance of such shares at an initial public offering price of \$16.00 per share, the mid-point of the price range set forth on the cover of this prospectus), and the classification of D-2 and E-1 warrants into shareholders' equity. Pro forma net loss per ordinary share is disclosed in the consolidated statements of operations, which also gives effect to the assumed conversion of the preferred shares as described above. The unaudited pro forma does not give effect to any proceeds from the assumed IPO.

o. Grants and participations:

Royalty-bearing grants from the Israeli Innovation Authority ("IIA") (previously known as Office of the Chief Scientist) of the Ministry of Economy and Industry in Israel 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 are presented as a deduction from research and development expenses. Non-royalty-bearing grants from the IIA MAGNET program and from European Commission's Seventh Framework Programme for Research (FP7) for funding 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 are presented as a deduction from research and development expenses.

Since the payment of royalties is not probable when the grants are received, the Company does not record a liability for amounts received from IIA until the related revenues are recognized. In the event of failure of a project that was partly financed by IIA, the Company will not be obligated to pay any royalties or repay the amounts received.

The Company recognizes participations in R&D development, as a reduction from R&D expenses. The excess of the recognized amount received over the amount of research and development expenses incurred during the period is recognized as other income within operating income.

p. Convertible preferred shares and convertible preferred shares warrant liability:

The terms of the convertible preferred A, A-1, B, B-1, C-1, C-2, D-1, D-3, E and E-1 shares allow the holders to redeem shares, under certain circumstances, outside of the Company's control. Therefore, these shares are classified as mezzanine equity on the balance sheet and are not included as a component of shareholders' deficiency. The carrying value of the convertible preferred shares is equal to cost. The Company has not adjusted the carrying value to redemption value since it is not probable that the convertible preferred shares will be redeemed.

Warrants to purchase the Company's convertible preferred shares are classified as a liability on the balance sheet, and measured at fair value, as the underlying shares are contingently redeemable (upon a deemed liquidation event) and, therefore, may obligate the Company to transfer assets at some point in the future. The warrants are subject to re-measurement to fair value at each balance sheet date and any change in fair value is recognized as a component of financial expenses, net, in the statements of operation. The Company will continue to adjust the liability for changes in fair value until the earlier of the exercise or expiration of the warrants, or the occurrence of a deemed liquidation event (see Note 10).

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. Fair value of financial instruments:

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

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

Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Fair value is an exit price, representing the amount that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

A three tier fair value hierarchy is established as a basis for considering such assumptions and for inputs used in the valuation methodologies in measuring fair value:

- Level 1—Observable inputs that reflect quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2—Include other inputs that are directly or indirectly observable in the marketplace.
- Level 3—Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The financial instruments carried at fair value on the Company's consolidated balance sheets as of December 31, 2019 and 2018 are warrants to convertible preferred shares classified as a liability. See Note 7.

The following methods and assumptions were used by the Company in estimating their fair value disclosures for financial instruments:

The carrying amounts of cash and cash equivalents, restricted cash, short-term deposits, prepaid expenses, other receivables, trade payables, other accounts payable and accrued expenses approximate their fair value due to the short-term maturity of such instruments.

r. Income taxes:

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). ASC 740 prescribes the use of the liability method whereby deferred tax asset and

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

liability account balances are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, to reduce deferred tax assets to their estimated realizable value, if needed.

ASC 740 contains a two-step approach to recognizing and measuring a liability for uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. As of December 31, 2019, and 2018 no liability for unrecognized tax benefits was recorded as a result of ASC 740.

The Company's policy is to accrue interest and penalties related to unrecognized tax benefits in its taxes on income.

s. Concentration of credit risks:

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents.

Cash, cash equivalents, restricted cash and short-term deposits are deposited in major banks in Israel. Such investments in Israel may be in excess of insured limits and are not insured in other jurisdictions. Generally, cash and cash equivalents may be redeemed upon demand and, therefore, bear minimal risk.

The Company utilizes forward contracts to protect against the risk of overall changes in exchange rates. The derivative instruments hedge a portion of the Company's non-dollar currency exposure. Counterparties to the Company's derivative instruments are all major financial institutions.

t. Severance pay:

All the Company's employees who are Israeli citizens have subscribed to Section 14 of Israel's Severance Pay Law, 5723-1963 ("Section 14"). Pursuant to Section 14, employees covered by this section are entitled to monthly deposits at a rate of 8.33% of their monthly salary, made on their behalf by the Company. Payments in accordance with Section 14 release the Company from any future severance liabilities in respect of those employees. Neither severance pay liability nor severance pay fund under Section 14 for such employees is recorded on the Company's consolidated balance sheets.

Severance pay expense for the years ended December 31, 2019 and 2018 amounted to \$346 and \$341, respectively.

u. Derivative financial instruments:

The Company accounts for derivatives and hedging based on ASC 815, "Derivatives and hedging", as amended and related interpretations. ASC 815 requires the Company to recognize all derivatives on the balance sheet at fair value. If a derivative meets the definition of a hedge and is so designated, depending on the nature of the hedge, changes in the fair value of the derivative

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings (for fair value hedge transactions) or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings (for cash flow hedge transactions).

The ineffective portion of a derivative's change in fair value is recognized in earnings. If a derivative does not meet the definition of a hedge, the changes in the fair value are included in earnings. Cash flows related to such hedges are classified as operating activities. The Company enters into option contracts in order to limit the exposure to exchange rate fluctuation associated with expenses mainly incurred in New Israeli Shekels ("NIS"). Since the derivative instruments that the Company holds do not meet the definition of hedging instruments under ASC 815, any gain or loss derived from such instruments is recognized immediately as "financial income, net".

The Company measured the fair value of the contracts in accordance with ASC 820. Foreign currency derivative contracts are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments. As of December 31, 2019 and December 31, 2018, the fair value of the options contracts was \$8 and \$0 respectively. Losses for the years ended December 31, 2019 and 2018 amounted to \$10 and \$0 respectively.

v. Contingent liabilities

The Company accounts for its contingent liabilities in accordance with ASC 450, "Contingencies" ("ASC 450"). A provision is recorded when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. With respect to legal matters, provisions are reviewed and adjusted to reflect the impact of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter.

The Company is occasionally a party to routine claims or litigation incidental to its business. The Company does not believe that it is a party to any pending legal proceeding that is likely to have a material adverse effect on its business, financial condition or results of operations. The Company recorded an accrual in the consolidated statements of operations, which it deems appropriate.

w. Recently adopted accounting pronouncements

As an "emerging growth company", the Jumpstart Our Business Startups Act (JOBS Act) allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use this extended transition period under the JOBS Act. The adoption dates discussed below reflect this election.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force), which provides guidance to decrease the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The guidance is effective beginning January 1, 2019, and interim periods in fiscal years beginning January 1, 2020. Early adoption permitted. The Company adopted the guidance as of January 1, 2018 and the adoption did not have a material impact on the Company's consolidated financial statements.

POLYPID LTD. AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****U.S. dollars in thousands (except share and per share data)****NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The guidance will be effective beginning January 1, 2019, and interim periods in fiscal years beginning January 1, 2020. Early adoption is permitted. The Company retrospectively adopted the guidance starting January 1, 2018.

x. Recently Issued Accounting Pronouncements and not yet adopted

In February 2016, the FASB issued ASU No. 2016-02, Leases, which would require lessees to recognize assets and liabilities on the balance sheet for most leases, whether operating or financing, while continuing to recognize the expenses on their income statements in a manner similar to current practice. Under the new guidance, the company would also require to provide enhanced disclosures. The guidance states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-to-use asset for the right to use the underlying asset for the lease term. The guidance will be effective for the Company beginning January 1, 2022, and interim periods in fiscal years beginning January 1, 2023. The Company is in the initial stage of its assessment of the new standard and is currently evaluating the timing of adoption, the quantitative impact of adoption, and the related disclosure requirements. The Company anticipates the adoption of this standard will result in an increase in its noncurrent assets, and current and noncurrent liabilities recorded on the consolidated balance sheets. The Company is currently evaluating the effect that ASU No. 2016-02 will have on its consolidated financial statements and related disclosures.

In June 2018, the FASB issued ASU No. 2018-07, Improvements to Nonemployee Share-Based Payment Accounting, which simplifies the accounting for share-based payments granted to nonemployees for goods and services and aligns most of the guidance on such payments to the nonemployees with the requirements for share-based payments granted to employees. The guidance will be effective beginning January 1, 2020, and interim periods in fiscal years beginning January 1, 2021, using a modified retrospective approach. Early adoption is permitted. The Company will adopt the guidance as of January 1, 2020, the adoption of the standard is not expected to have a material impact on the consolidated statements of operations.

NOTE 3:—PREPAID EXPENSES AND OTHER RECEIVABLES

	<u>December 31,</u>	
	<u>2018</u>	<u>2019</u>
Government authorities	\$ 235	\$ 177
Prepaid expenses	227	180
Lease deposits	24	18
Others	—	42
	<u>\$ 486</u>	<u>\$ 417</u>

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 4:—PROPERTY AND EQUIPMENT, NET

	December 31,	
	2018	2019
Cost:		
Computers and software	\$ 347	\$ 389
Laboratory equipment	2,647	3,356
Furniture and office equipment	147	147
Leasehold improvements	4,225	4,353
	<u>7,366</u>	<u>8,245</u>
Accumulated depreciation	(1,177)	(2,124)
Depreciated cost	<u>\$ 6,189</u>	<u>\$ 6,121</u>

Depreciation expenses amounted to \$947 and \$411 for the years ended December 31, 2019 and 2018, respectively.

NOTE 5:—OTHER PAYABLES AND ACCRUED EXPENSES

	December 31,	
	2018	2019
Employees and payroll accruals	\$ 798	\$ 673
Accrued expenses	1,652	319
Other expenses	107	6
	<u>\$ 2,557</u>	<u>\$ 998</u>

NOTE 6:—COMMITMENTS AND CONTINGENT LIABILITIES

- a. The Company's facilities are leased under operating lease agreements for periods ending no later than 2027. The Company also leases motor vehicles under various operating leases, the latest of which expires in 2022.

Future minimum lease payments under operating leases as of December 31, 2019 are as follows:

<u>As of December 31, 2019</u>	
2020	1,103
2021	1,033
2022	979
2023	852
2024	265
Thereafter	661
	<u>\$ 4,893</u>

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 6:—COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

As of December 31, 2019, the Company made advance payments on account of car leases in the amount of \$58.

Rental and lease expenses for the years ended December 31, 2019 and 2018 were \$1,027 and \$1,073, respectively.

- b. In connection with its research and development programs, through December 31, 2019, the Company received participation payments from the IIA in the aggregate amount of \$4,898. In return for IIA's participation, the Company is committed to pay royalties at a rate of 3% of sales of the developed products, up to 100% of the amount of grants received plus interest at LIBOR rate. Through December 31, 2019, no royalties have been paid or accrued.
- c. On December 22, 2016, the Company received a written demand for a finder's fee in amount of \$250, in connection with 2nd 2016 SPA. In September 2017, a suit was filed against the Company in the Tel-Aviv Magistrates Court in amount of \$250. Following an unsuccessful mitigation process, the parties provided their Main Testimony and are waiting for the final verdict in the near future.

The Company believes it has strong defense claims and intends to vigorously defend its position. The Company included a provision in its consolidated financial statements, which management believe it sufficient

NOTE 7:—FAIR VALUE MEASUREMENTS

Financial instruments measured at fair value on a recurring basis include warrants to convertible preferred shares (see Note 9). The warrants are classified as a liability in accordance with ASC 480-10-25. These warrants were classified as level 3 in the fair value hierarchy since some of the inputs used in the valuation (the share price) were determined based on management's assumptions. To calculate the fair value of the warrants, we first calculated the underlying preferred share value by using the income approach and the market approach. Then the equity value was allocated by using the hybrid model method utilizing two scenarios of OPM and IPO. Once the preferred shares value was derived from the two scenarios, the Black-Scholes model was utilized to calculate the warrants value in each one of the scenarios. 50% probability for each one of the scenarios was applied to derive the weighted average fair value of the warrants.

As of December 31, 2019:

According to the liquidation scenario the underlying share price was between \$13.25 - \$13.40 for the Convertible Preferred E-1 shares. The following assumptions were used to estimate the value of the series E-1 Preferred share warrants as of December 31, 2019 (exercise price of \$15.95): expected volatility of 69.11%, risk free interest rates of 1.82%, dividend yield of 0%, and expected term of 2.25 years. Under the IPO scenario the underlying share price was \$12.18 for the Convertible Preferred E-1 shares. The following assumptions were used to estimate the value of the series E-1 Preferred share warrants as of December 31, 2019 (exercise price of \$15.95): expected volatility of 64.03%, risk free interest rates of 1.87%, dividend yield of 0%, and expected term of 0.42 years. Accordingly, the fair value of the series E-1 Preferred share warrants as of December 31, 2019 was \$563.

According to the liquidation scenario, the underlying share price was \$10.29 for the Convertible Preferred D-2 shares. The following assumptions were used to estimate the value of the series D-2

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 7:—FAIR VALUE MEASUREMENTS (Continued)

Preferred share warrants as of December 31, 2019 (exercise price of \$9.24): expected volatility of 69.11%, risk free interest rates of 1.82%, dividend yield of 0% and expected term of 2.25 years. Under the IPO scenario the underlying share price was \$12.18 for the Convertible Preferred D-2 shares. The following assumptions were used to estimate the value of the series D-2 Preferred share warrants as of December 31, 2019 (exercise price of \$9.24): expected volatility of 64.03%, risk free interest rates of 1.87%, dividend yield of 0%, and expected term of 0.42 years. Accordingly, the fair value of the series D-2 Preferred share warrants as of December 31, 2019 was \$11,275.

According to the liquidation scenario, the underlying share price was \$4.35 for the Convertible Preferred A shares. The following assumptions were used to estimate the value of the series A Preferred share warrants as of December 31, 2019 (exercise price of NIS 0.84 (\$0.24)): expected volatility of 69.11%, risk free interest rates of 1.82% dividend yield of 0% and expected term of 2.25 years. Under the IPO scenario the underlying share price was \$12.18 for the Convertible Preferred A shares. The following assumptions were used to estimate the value of the series A Preferred share warrants as of December 31, 2019 (exercise price of NIS 0.84 (\$0.24)): expected volatility of 64.03%, risk free interest rates of 1.87%, dividend yield of 0%, and expected term of 0.42 years. Accordingly, the fair value of the series A Preferred share warrants as of December 31, 2019 was \$403.

As of December 31, 2018:

According to the liquidation scenario, the underlying share price was \$14.58 for the Convertible Preferred D-2 shares. The following assumptions were used to estimate the value of the series D-2 Preferred share warrants as of December 31, 2018 (exercise price \$9.24): expected volatility of 96.87%, risk free interest rates of 2.47%, dividend yield of 0% and expected term of 3.25 years. Under the IPO scenario the underlying share price was \$13.70 for the Convertible Preferred D-2 shares. The following assumptions were used to estimate the value of the series D-2 Preferred share warrants as of December 31, 2018 (exercise price \$9.24): expected volatility of 92.96%, risk free interest rates of 2.59%, dividend yield of 0%, and expected term of 1 years. Accordingly, the fair value of the series D-2 Preferred share warrants as of December 31, 2018 was \$22,367.

According to the liquidation scenario, the underlying share price was \$9.35 for the Convertible Preferred A shares. The following assumptions were used to estimate the value of the series A Preferred share warrants as of December 31, 2018 (exercise price NIS 0.84 (\$0.24)): expected volatility of 96.87%, risk free interest rates of 2.47% dividend yield of 0% and expected term of 3.25 years. Under the IPO scenario the underlying share price was \$13.70 for the Convertible Preferred A shares. The following assumptions were used to estimate the value of the series A Preferred share warrants as of December 31, 2018 (exercise price NIS 0.84 (\$0.24)): expected volatility of 92.96%, risk free interest rates of 2.59%, dividend yield of 0%, and expected term of 1 years. Accordingly, the fair value of the series A Preferred share warrants as of December 31, 2018 was \$559.

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 7:—FAIR VALUE MEASUREMENTS (Continued)

The change in the fair value of the preferred share warrants liability is summarized below:

	2018	2019
Beginning of year	\$ 47,399	\$ 22,926
Issuance of warrants	—	680
Change in fair value	(24,473)	(11,365)
End of year	<u>\$ 22,926</u>	<u>\$ 12,241</u>

NOTE 8:—INCOME TAXES

a. Corporate tax rates:

The corporate tax rate in Israel in 2019 and 2018 was 23%.

b. Net operating losses carry forward:

The Company has accumulated losses for tax purposes as of December 31, 2019 in the amount of approximately \$66,982 which may be carried forward and offset against taxable income in the future for an indefinite period.

c. Deferred taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's deferred tax assets are comprised of operating loss carryforwards and other temporary differences.

Significant components of the Company's deferred tax assets are as follows:

	December 31,	
	2018	2019
Reserves and allowances	\$ 152	\$ 173
Temporary differences	1,847	2,204
Loss carryforward	12,595	15,406
Deferred tax assets before valuation allowance	14,594	17,783
Less—valuation allowance	(14,594)	(17,783)
Net deferred tax assets	<u>\$ —</u>	<u>\$ —</u>

Management currently believes that since the Company has a history of losses, and there is uncertainty with respect to future taxable income of the Company, it is more likely than not that the deferred tax assets will not be utilized in the foreseeable future. Thus, a full valuation allowance was provided to reduce deferred tax assets to their realizable value.

In 2019 and 2018 the main reconciling item of the Company's statutory tax rate of 23% the effective tax rate of 0%, is tax loss carryforwards, for which a full valuation allowance was provided.

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 8:—INCOME TAXES (Continued)

d. Tax assessment:

The Company has received final tax assessments through the year ended December 31, 2014.

NOTE 9:—CONVERTIBLE PREFERRED SHARES AND WARRANTS

a. The Composition of the Company's Convertible Preferred shares is as follows:

	December 31, 2018		December 31, 2019	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of shares			
Series A Convertible Preferred shares with no par value	537,750	483,975	537,750	483,975
Series A-1 Convertible Preferred shares with no par value	896,250	798,950	896,250	798,950
Series B Convertible Preferred shares with no par value	597,500	566,386	597,500	566,386
Series B-1 Convertible Preferred shares with no par value	1,867,562	1,751,309	1,867,562	1,751,309
Series C-1 Convertible Preferred shares with no par value	717,000	645,923	717,000	645,923
Series C-2 Convertible Preferred shares with no par value	454,100	410,197	454,100	410,197
Series D-1 Convertible Preferred shares with no par value	2,509,500	2,376,512	2,509,500	2,376,512
Series D-2 Convertible Preferred shares with no par value	2,868,000	—	2,868,000	—
Series D-3 Convertible Preferred shares with no par value	597,500	576,944	597,500	576,944
Series E Convertible Preferred shares with no par value	1,135,250	968,348	1,135,250	851,795
Series E-1 Convertible Preferred shares with no par value	3,824,000	875,889	5,736,000	4,058,986
Total	<u>16,004,412</u>	<u>9,454,433</u>	<u>17,916,412</u>	<u>12,520,977</u>

The Company issued Series A, A-1, B, B-1, C-1, C-2, D-1, D-3, E and E-1 convertible preferred shares between the years 2008 and 2019. The Company classifies the convertible preferred shares outside of shareholders' equity (deficiency) as required by ASC 480-10-S99-3A and ASR 268, since these convertible preferred shares are entitled to liquidation preferences which may trigger a distribution of cash or assets that is not solely within the Company's control.

Pursuant to the Company's Amended and Restated Articles of Incorporation (the "AoA"), a deemed liquidation event would occur, inter alia, upon the closing of the transfer of the Company's securities to a person or a group of affiliated persons, in one or a series of related

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 9:—CONVERTIBLE PREFERRED SHARES AND WARRANTS (Continued)

transactions, if immediately after such transaction, such person or group of affiliated persons would hold 50% or more of the outstanding voting shares of the Company and upon the occurrence of the events listed in the AoA. For the years ended December 31, 2019 and 2018, the Company did not adjust the carrying values of the convertible preferred shares to the deemed liquidation values of such shares since a deemed liquidation event was not probable at each balance sheet date. Subsequent adjustments to increase the carrying values to the ultimate liquidation values will be made only when it becomes probable that such a deemed liquidation event will occur.

b. Preferred shares rights:

Series A, A-1, B, B-1, C-1, C-2, D-1, D-3, E and E-1 convertible preferred shares confer upon their holders all the rights conferred by Ordinary shares, in addition to certain rights stipulated in the Company's AoA, inter alia, the following:

Dividend rights—the holders of Series A, A-1, B, B-1, C-1, C-2, D-1, D-3, E and E-1 convertible preferred shares shall be entitled to receive on a pari passu basis, prior and in preference to the declaration or payment of any dividend or distribution to the holders of any other class of shares on an as-converted basis if any dividend or distribution is declared by the Company's board of directors, an amount equal to 6% per annum of the applicable original issue price for such preferred shares (the "Preference Dividend").

The preference order is such that Series E-1, E, D, C-2, C-1, B-1, B, A-1 and A shareholders shall be entitled, in their respective order, to receive, prior and in preference to the above order, any distribution of any asset, capital, earnings or surplus funds of the Company. After the Preference Dividend has been paid in full, the preferred shareholders' shall participate pro-rata and pari-passu, on an as converted basis with the Ordinary shareholders' in the receipt of any additional dividend distributed.

Liquidation rights—In the event of any event of liquidation or deemed liquidation event, the Company shall distribute to the holders of convertible preferred shares, prior to and in preference to any payments to any of the holders of any other classes of shares, a per share amount equal to the original issuance price plus 6% annual interest compounded annually from the date of issuance and up to the date of liquidation for each of their shares.

Holders of Series E-1, E preferred shares and D preferred shares shall receive an amount equal to the original issuance price thereof, times 1.3, plus 6% annual interest, on the original issue price, compounded annually from the date of issuance and up to the date of liquidation for each of their shares plus an amount equal to the declared but unpaid dividends, less the any dividend preference amount previously declared and actually paid.

The liquidation order is such that Series E-1, E, D, C-2 and C-1, B-1, B A-1, and A shareholders shall be entitled, in their respective order, to receive, prior and in preference to the above order any distribution of any asset, capital, earnings or surplus funds of the Company.

All remaining assets shall be distributed among all the shareholders pro rata in proportion to the number of Ordinary shares held by them on an as converted basis. The original issue price of the Series A, A-1, B, B-1 and C-1 Convertible Preferred shares is \$1.51, \$1.76, \$3.60, \$5.06, and \$6.95

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 9:—CONVERTIBLE PREFERRED SHARES AND WARRANTS (Continued)

per share, respectively, Series C-2, D-1 and D-3 is \$9.23 per share and Series E and E-1 is \$13.30 per share.

Voting rights—each holder of Series A, A-1, B, B-1, C-1, C-2, D-1, D-3, E and E-1 Convertible Preferred share is entitled to one vote per each share held by it (on an as converted basis).

Conversion—each preferred share is convertible into ordinary shares, at the holder's option, or automatically upon a Qualified IPO of the Company or upon written demand of the Investor Majority (as defined in the AoA).

At the current conversion prices, each share of Series A, A-1, B, B-1, C-1, C-2, D-1, D-3, E and E-1 will convert to ordinary shares on a 1-for-1 ratio. The current conversion price per preferred share will be adjusted in the event of recapitalizations, splits, Ordinary share dividends and standard anti-dilution events. In addition, the conversion price for the Series E-1 Convertible Preferred shares will be adjusted in the event of an IPO at an initial public offering price lower than \$16.63.

c. **Financing rounds:**

During August 2018 through February 2019, the Company entered into a Securities Purchase Agreement (the "2018 SPA") with new and existing investors for an aggregate amount of up to \$35,000. The Company received \$15,577 and issued to the investors 1,187,887 series E-1 Preferred shares (net of \$187 issuance costs in cash in 2018) at a price per share of \$13.30. As part of the 2018 SPA, the Company converted 274,434 series E Preferred shares to series E-1 Preferred shares to holders of series E Preferred shares who participated in 2018 SPA pursuant to the conversion rights of the 2018 SPA.

During June 2019 the Company prepared a Private Placement Memorandum (the '2019 PPM') which includes the 2018 SPA and allows the Company to raise up to \$ 50,000 from new and existing shareholders. From June to August 2019, the Company received \$30,717 and issued to the investors 2,596,665 series E-1 Preferred shares (net of \$3,142 issuance costs in cash and warrants in amount \$680, see note 5c) at a price of \$13.30.

d. **Warrants to purchase Preferred shares:**

In March 2008, in connection with the March 2008 Founders and Share Purchase Agreement, the Company granted to the investor warrants to purchase preferred A shares, with an exercise price of NIS 0.84 (USD \$0.24). The A warrants may be converted at any time until the earlier of (1) consummation of an initial public offering on certain stock exchanges as set forth in the warrant terms, with net proceeds to the Company of at least \$15,000 (and pre-money valuation of at least \$75,000), (2) merger or consolidation of the Company with another company, and (3) the sale of substantially all of the Company's assets or substantially all of the shares to another party.

In connection with 2016 SPA, the Company granted to the investors warrants to purchase up to 2,755,398 D-2 Preferred shares at a price per share of \$9.24.

The survival of D-2 warrants shall be limited to a period ending upon the earlier of: (i) the lapse of 5 years from closing; or (ii) deemed liquidation event.

POLYPID LTD. AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****U.S. dollars in thousands (except share and per share data)****NOTE 9:—CONVERTIBLE PREFERRED SHARES AND WARRANTS (Continued)**

The D-2 warrants will be exercised automatically if they are still outstanding on the final day of the warrant period as defined in the warrants grant letter, and if the fair market value of a warrant share is more than the exercise price for such share.

All outstanding A and D-2 warrants are classified as a long-term liability and are re-measured at each reporting date, as the underlying shares may be redeemed upon an event which is not solely in the control of the Company.

On June 28, 2019, in connection with 2019 PPM, the Company included the following as part of its issuance costs, (i) warrants to purchase up to 200,596 E-1 Preferred shares at a price per share of \$15.95 against payment of a total exercise amount of up to \$3,200 and (ii) a cash fee of 10% of any new investment that were introduced by National Securities. The survival of E-1 warrants shall be limited to a period ending upon 4 years from closing.

As of December 31, 2019, 200,596 E-1 warrants, 2,755,398 D-2 warrants and 53,775 A warrants are outstanding

NOTE 10:—SHAREHOLDERS' DEFICIENCY

a. General:

On February 20, 2018 the Board of Directors resolved to consolidate the Company share capital by applying a reverse share split at a ratio of 8:1 (the "Reverse Split Ratio") such that every 8 Ordinary shares will substituted by 1 ordinary share. It was also resolved to apply the Reverse Split Ratio to the Company's outstanding convertible securities, including any options (vested or not), and warrants, in accordance with their terms. Following the reverse share split, all Ordinary shares, Convertible Preferred shares, options, warrants, exercise prices and per share data have been adjusted retroactively for all periods presented in these consolidated financial statements.

In addition, on June 21, 2020, the Board of Directors resolved to consolidate the Company share capital by applying additional reverse share split and to cancel the shares par value (See Note 1d). Following the reverse share split and the cancellation of the par value, all Ordinary shares, Convertible Preferred shares, options, warrants, exercise prices and per share data have been adjusted retroactively for all periods presented in these consolidated financial statements based on the reverse split effected on the Ordinary shares to which the Convertible Preferred shares, options and warrants will be converted.

b. Ordinary share capital is composed as follows:

	<u>December 31, 2018</u>		<u>December 31, 2019</u>	
	<u>Authorized</u>	<u>Issued and outstanding</u>	<u>Authorized</u>	<u>Issued and outstanding</u>
	Number of shares			
Ordinary shares with no par value	19,598,000	561,225	22,466,000	562,748

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 10:—SHAREHOLDERS' DEFICIENCY (Continued)

c. Ordinary shares rights:

The Ordinary shares confers upon its holders the right to participate in the general meetings of the Company, to vote at such meetings (each share represents one vote), and to participate in any distribution of dividends or any other distribution of the Company's property, including the distribution of surplus assets upon liquidation.

d. Share option plans:

The Company has authorized through its 2012 Share Option Plan, the grant of options to officers, directors, advisors, management and other key employees of up to 2,859,494 Ordinary shares. The options granted generally have a three-year vesting period and expire ten years after the date of grant. Options granted under the Company's option plan that are cancelled or forfeited before expiration become available for future grant. As of December 31, 2019, 1,235,239 of the Company's options were available for future grants.

On July 19, 2015, the board of directors approved that if any transaction (merger, acquisition, reorganization of the company with one or more other entities pursuant to which the company is not the surviving entity or sale of all or substantially all of the assets or shares of the company) ("Transaction") is consummated by the Company, then the vesting schedule of the options granted to certain senior managers shall be accelerated so that 50% of the unvested options shall be fully vested immediately prior to the Transaction, and the remaining 50% of the then unvested options shall continue to vest in accordance with the same vesting schedule.

A summary of the status of options to employees under the Company's option plan as of December 31, 2019 and 2018 and changes during the relevant period ended on that date is presented below:

	Year ended December 31, 2019			
	Number of options	Weighted average exercise price	Aggregate intrinsic value	Weighted average remaining contractual life (years)
Outstanding at beginning of year	1,234,955	4.59	4,608	5.96
Granted	82,216	8.04		
Exercised	(1,523)	4.54		
Forfeited and cancelled	(97,663)	6.50		
Outstanding at end of year	<u>1,217,985</u>	4.62	3,411	5.04
Exercisable options	<u>1,108,207</u>	4.29	3,406	4.66
Vested and expected to vest	<u>1,217,985</u>	4.62	3,406	5.04

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 10:—SHAREHOLDERS' DEFICIENCY (Continued)

	Year ended December 31, 2018			
	Number of options	Weighted average exercise price	Aggregate intrinsic value	Weighted average remaining contractual life (years)
Outstanding at beginning of year	1,620,605	5.19	22,596	7.60
Granted	38,660	12.48		
Exercised	(2,778)	8.37		
Forfeited and cancelled	(421,532)	7.70		
Outstanding at end of year	<u>1,234,955</u>	4.59	4,608	5.96
Exercisable options	<u>1,061,032</u>	4.21	4,292	5.52
Vested and expected to vest	<u>1,234,955</u>	4.59	4,608	5.96

The total equity-based compensation expense related to all of the Company's equity-based awards recognized for the year ended December 31, 2019 and 2018, was comprised as follows:

	Year ended December 31,	
	2018	2019
Research and development	239	180
General and administrative	756	796
Total share-based compensation expense	<u>995</u>	<u>976</u>

As of December 31, 2019, there were unrecognized compensation costs of \$707, which are expected to be recognized over a weighted average period of approximately 1.5 years.

The weighted average exercise price of the Company's options granted during the year ended December 31, 2019 and 2018 was \$8.04 and \$12.48, respectively.

1,523 and 2,778 options were exercised during the year ended December 31, 2019 and December 31, 2018, respectively. The Company's board of directors deemed the fair value of the Company's Ordinary shares to be \$6.89 per share as of December 31, 2019.

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 10:—SHAREHOLDERS' DEFICIENCY (Continued)

The options outstanding as of December 31, 2019 are comprised, as follows:

Exercise price (\$)	Options outstanding as of December 31, 2019	Weighted average exercise price (\$)	Weighted average remaining contractual term Years	Options exercisable as of December 31, 2019	Weighted average exercise price (\$)	Weighted average remaining contractual term Years
*) 0.22	249,561	0.22	3.22	249,561	0.22	3.22
1.76	107,904	1.76	3.22	107,904	1.76	3.22
3.60	83,503	3.60	3.33	83,503	3.60	3.33
5.06	284,794	5.06	4.34	284,794	5.06	4.34
9.24	200,229	9.24	5.88	200,229	9.24	5.88
3.10	31,938	3.10	6.41	31,938	3.10	6.41
3.93	58,854	3.93	6.98	58,854	3.93	6.98
4.10	20,914	4.10	7.19	19,170	4.10	7.19
4.18	15,057	4.18	7.40	14,957	4.18	7.40
7.70	68,017	7.70	7.85	45,561	7.70	7.85
8.42	7,589	8.42	8.78	2,910	8.42	8.77
8.65	15,535	8.65	8.64	5,839	8.65	8.44
8.02	74,090	8.02	9.34	2,987	8.02	9.22
	<u>1,217,985</u>	<u>4.62</u>	<u>5.04</u>	<u>1,108,207</u>	<u>4.29</u>	<u>4.87</u>

*) The exercise price of the options is denominated in NIS and was translated to USD in the table above using the exchange rate as of the issuance date of the options. The options were granted at the Ordinary share par value.

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 10:—SHAREHOLDERS' DEFICIENCY (Continued)

e. Options issued to non-employees:

Outstanding options granted to consultants as of December 31, 2019 were as follows:

Grant date	Options outstanding as of December 31, 2019	Average Exercise price per share	Options exercisable as of December 31, 2019	Exercisable through
March 2013	22,258	\$ 1.76	22,258	March 2023
October 2013	5,719	\$ 5.06	5,719	October 2023
June 2014	5,617	\$ 5.06	5,617	June 2024
September 2014	5,719	\$ 5.06	5,719	September 2024
April 2016	5,975	\$ 3.10	5,975	April 2026
December 2016	7,170	\$ 3.93	7,170	March 2023
June 2017	197,722	\$ 4.10	75,467	June 2027
August 2017	5,617	\$ 9.29	5,617	August 2027
November 2017	53,775	\$ 7.70	35,850	March 2027
August 2019	71,700	\$ 8.18	35,760	August 2029
	<u>381,272</u>		<u>205,152</u>	

In June 2017, the Company granted options to a director, who is also a shareholder, to purchase up to 122,255 ordinary shares which vesting is contingent upon an IPO.

NOTE 11:—FINANCIAL EXPENSES, NET

	Year ended December 31,	
	2018	2019
Financial expenses:		
Foreign currency transaction loss, net	276	—
Others	42	15
Total financial expenses, net	<u>318</u>	<u>15</u>
Financial income:		
Interest from deposits	(126)	(60)
Revaluation of warrants	(24,473)	(11,365)
Foreign currency transaction gains, net	—	(245)
Total financial income:	<u>(25,599)</u>	<u>(11,670)</u>
Financial income, net	<u>\$ (24,281)</u>	<u>\$ (11,655)</u>

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 12:—BASIC AND DILUTED NET LOSS PER SHARE

The following table sets forth the computation of the Company's basic and diluted net loss per Ordinary share:

	Year ended December 31,	
	2018	2019
Basic net loss (profit) per share		
Numerator:		
Allocation of net loss (profit)	\$ (5,917)	\$ 6,905
Preferred share preference	4,439	6,422
Net income allocated to preferred shareholders	1,389	—
Allocation of net loss (profit) attributable to Ordinary shareholders	<u>\$ (89)</u>	<u>\$ 13,327</u>
Denominator:		
Weighted average Ordinary shares outstanding	561,113	562,451
Basic net loss (profit) per share	<u>\$ (0.16)</u>	<u>\$ 23.69</u>
Diluted net loss (profit) per share:		
Numerator:		
Allocation of net loss (profit) attributable for basic computation	<u>\$ (89)</u>	<u>\$ 13,327</u>
Revaluation of warrants to convertible preferred shares	616	—
Allocation of net loss attributable to Ordinary shareholders	<u>\$ 527</u>	<u>\$ 13,327</u>
Denominator:		
Number of shares used in basic calculation	<u>561,113</u>	<u>562,451</u>
Weighted average effect of dilutive securities		
Warrants to convertible preferred shares	52,245	—
Number of shares used in diluted calculation	<u>613,358</u>	<u>562,451</u>
Diluted net loss per share	<u>\$ 0.86</u>	<u>\$ 23.69</u>

The Company excluded 17.1 million potentially dilutive share-based options, warrants and convertible preferred shares from the computation of diluted net loss per share for the year ended December 31, 2019 and 13.8 million potentially dilutive share-based options, warrants and convertible preferred shares from the computation of diluted net loss per share for the year ended December 31, 2018 because including them would have had an anti-dilutive effect.

POLYPID LTD. AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****U.S. dollars in thousands (except share and per share data)****NOTE 13:—PRO FORMA BASIC AND DILUTED NET LOSS PER SHARE**

The following table sets forth the computation of the Company's pro forma basic and diluted net loss per ordinary share (unaudited):

	<u>Year ended December 31, 2019</u> (Unaudited)
Net loss attributable to ordinary shares as reported	\$ 13,327
Shares used in computing net loss per ordinary share, basic and diluted	562,451
Pro forma adjustments to reflect assumed conversion of convertible preferred shares and exercise of warrants A	11,252,885
Shares used in computing pro forma net loss per ordinary share, basic and diluted	11,815,336
Pro forma net loss per ordinary share, basic and diluted	\$ 1.13

The A warrants will expire upon the consummation of the Company's initial public offering. Accordingly, the Company assumes, considering the exercise price of the A warrants and the fair value of the Company's Ordinary Shares at present, and the increase in fair value following the Company's initial public offering, that the investors will exercise the A warrants prior to the warrants' expiration.

The D-2 and E-1 warrants, on the other hand, do not expire upon the consummation of the Company's initial public offering. Accordingly, no assumptions are made regarding exercise by investors. Furthermore, pursuant to their terms, if at any time the entire class of Series D-2 and E-1 preferred shares is converted into Ordinary Shares, then the warrant shall automatically be deemed exercisable into Ordinary Shares. Pursuant to the Company's articles of association currently in effect, upon the consummation of the Company's initial public offering, the entire class of Series D-2 and E-1 preferred shares shall be converted into Ordinary Shares.

NOTE 14:—RELATED PARTIES

Through February 2016, several management members also provided services to the Company as service providers. As of December 31, 2019, and 2018, the Company has recorded a provision for severance pay liability for such service providers in amount of \$251 and \$232 respectively. These amounts are included in "Other Liabilities".

In July 2019, the Company entered into a master service agreement with a third party provider (the "provider") to conduct a portion of a phase three clinical trial in Bulgaria and Romania for a total cost of \$700. The Company's director serves as a director and shareholder in the provider. During the year 2019, the company recognized as expense of \$68 as part of the research and development expenses.

NOTE 15:—SUBSEQUENT EVENTS

The Company evaluates events or transactions that occur after the balance sheet date but prior to the issuance of the consolidated financial statements to identify matters that require additional disclosure. For its annual consolidated financial statements as of December 31, 2019 and for the year then ended, the Company evaluated subsequent events through February 24, 2020, the date that the

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 15:—SUBSEQUENT EVENTS (Continued)

consolidated financial statements were issued. The Company has concluded that no subsequent event has occurred that require disclosure.

- a. On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a "pandemic" which is now known as COVID-19. The outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations. The Company's business is likely to be adversely affected by the effects of the recent and evolving COVID-19 pandemic, which has resulted in travel and other restrictions in order to reduce the spread of the disease, including in Israel, the United States and the European Union where we are conducting or planning clinical trials. No impairments were recorded as of the balance sheet date as no triggering events or changes in circumstances had occurred; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future.
- b. On April 30, 2020, the Company received the court ruling, which ruled in favor of PolyPid discharging the entire claim and accordingly reversed the related provision (See Note 6c)
- c. On June 4 and June 11, 2020, the Board of Directors recommended to the Company's shareholders to approve total grants of options to purchase 220,597 ordinary shares to the Company's CEO and certain Board members, which was approved by the Company's shareholders on June 18, 2020. In addition, the Board of Directors granted options to purchase 781,571 ordinary shares to the Company's employees, a member of the scientific advisory board and an observer to the Board of Directors.

POLYPID LTD. AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share and per share data)

	March 31, 2020 (Unaudited)	December 31, 2019	Pro forma as of March 31, 2020 (Unaudited)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 4,243	\$ 3,924	\$ 4,256
Restricted cash	371	375	371
Short-term deposits	17,116	22,685	17,116
Prepaid expenses and other receivables	350	417	350
Total current assets	<u>22,080</u>	<u>27,401</u>	<u>22,093</u>
Long-term assets:			
Property and equipment, net	6,346	6,121	6,346
Deferred offering costs	422	—	—
Other long-term assets	223	230	223
Total long-term assets	7,291	6,351	6,569
Total assets	<u>\$ 29,071</u>	<u>\$ 33,752</u>	<u>\$ 28,662</u>
LIABILITIES, CONVERTIBLE PREFERRED SHARES AND SHAREHOLDERS' DEFICIENCY			
CURRENT LIABILITIES:			
Trade payables	\$ 993	\$ 1,581	\$ 993
Other payables and accrued expenses	1,080	998	1,080
Total current liabilities	<u>2,073</u>	<u>2,579</u>	<u>2,073</u>
Long-term liabilities:			
Other liabilities	244	251	244
Convertible preferred shares warrant liability	13,753	12,241	—
Total long-term liabilities	<u>13,997</u>	<u>12,492</u>	<u>244</u>
Commitments and Contingencies			
Convertible preferred shares:			
Preferred A, A-1, B, B-1, C-1, C-2, D-1, D-3, E and E-1 shares with no par value—Authorized: 17,916,412 shares at March 31, 2020 (unaudited) and December 31, 2019; Issued and outstanding: 12,520,977 shares at March 31, 2020 (unaudited) and December 31, 2019; Aggregate liquidation preference of \$163,150 at March 31, 2020; no shares issued and outstanding, pro forma as of March 31, 2020	106,313	106,313	—
Shareholders' deficiency:			
Share capital—			
Ordinary shares with no par value—Authorized: 22,466,000 shares at March 31, 2020 (unaudited) and December 31, 2019; Issued and outstanding: 562,748 shares at March 31, 2020 (unaudited) and December 31, 2019; 13,296,451 shares issued and outstanding, pro forma as of March 31, 2020	—	—	—
Additional paid-in capital	5,860	5,671	125,517
Accumulated deficit	(99,172)	(93,303)	(99,172)
Total shareholders' deficiency	<u>(93,312)</u>	<u>(87,632)</u>	<u>26,345</u>
Total liabilities, convertible preferred shares and shareholders' deficiency	<u>\$ 29,071</u>	<u>\$ 33,752</u>	<u>\$ 28,662</u>

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

POLYPID LTD. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands (except share and per share data)

	Three months ended	
	March 31,	
	2020	2019
	(Unaudited)	
Operating expenses:		
Research and development, net	\$ 3,433	\$ 3,477
General and administrative	1,003	720
Operating loss	4,436	4,197
Financial expense (income), net	1,433	(2,967)
Net loss	\$ 5,869	\$ 1,230
Basic and diluted net loss per ordinary share	\$ (13.90)	\$ (4.51)
Weighted average number of ordinary shares used in computing basic and diluted net loss per share	562,748	562,179
Pro forma basic and diluted net loss per ordinary share	\$ (0.59)	
Weighted average number of ordinary shares used in computing basic and diluted net loss per share—pro forma	13,296,451	

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

POLYPID LTD. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED SHARES AND CHANGES IN SHAREHOLDERS' DEFICIENCY

U.S. dollars in thousands (except share data)

	Convertible Preferred shares			Number of Ordinary shares	Shareholders' deficiency		
	Number of Preferred shares	Amount	Total		Additional paid-in capital	Accumulated deficit	Total shareholders' deficiency
Balances as of January 1, 2019	9,454,433	\$ 69,347	\$ 69,347	561,225	\$ 4,688	\$ (86,398)	\$ (81,710)
Exercise of options	—	—	—	1,045	3	—	3
Issuance of E-1 Preferred shares, net(*)	469,879	6,203	6,203	—	—	—	—
Share-based compensation	—	—	—	—	187	—	187
Net loss	—	—	—	—	—	(1,230)	(1,230)
Balances as of March 31, 2019 (unaudited)	<u>9,924,312</u>	<u>\$ 75,550</u>	<u>\$ 75,550</u>	<u>562,270</u>	<u>\$ 4,878</u>	<u>\$ (87,628)</u>	<u>\$ (82,750)</u>
Balances as of January 1, 2020	12,520,977	\$ 106,313	\$ 106,313	562,748	\$ 5,671	\$ (93,303)	\$ (87,632)
Share-based compensation	—	—	—	—	189	—	189
Net loss	—	—	—	—	—	(5,869)	(5,869)
Balances as of March 31, 2020 (unaudited)	<u>12,520,977</u>	<u>\$ 106,313</u>	<u>\$ 106,313</u>	<u>562,748</u>	<u>\$ 5,860</u>	<u>\$ (99,172)</u>	<u>\$ (93,312)</u>

* Net of issuance costs of \$47 in cash

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

POLYPID LTD. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Three months ended	
	March 31,	
	2020	2019
	(Unaudited)	
<i>Cash flows from operating activities:</i>		
Net loss	\$ (5,869)	\$ (1,230)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	244	190
Re-evaluation of warrants	1,512	(2,942)
Share-based compensation	189	187
Changes in assets and liabilities:		
Increase (decrease) in receivables and prepaid expenses	67	(227)
Increase (decrease) in other long-term assets	1	(1)
Decrease (increase) in trade payables	(801)	112
Decrease in other payables and accrued expenses and other liabilities	(34)	(1,528)
Net cash used in operating activities	<u>(4,691)</u>	<u>(5,439)</u>
<i>Cash flows from investing activities:</i>		
Purchase of property and equipment	(469)	(223)
Short-term deposits, net	5,569	—
Net cash provided (used in) investing activities	<u>5,100</u>	<u>(223)</u>
<i>Cash flows from financing activities:</i>		
Proceeds from issuance of convertible preferred shares and warrants, net	—	6,203
Proceeds from exercise of options	—	3
Deferred equity offering costs	(100)	—
Net cash provided by (used in) financing activities	<u>(100)</u>	<u>6,206</u>
Increase in cash, cash equivalents and restricted cash	309	544
Cash, cash equivalents and restricted cash at the beginning of the year	4,498	7,767
Cash, cash equivalents and restricted cash at the end of the year	<u>\$ 4,807</u>	<u>\$ 8,311</u>
<i>Non-cash activity:</i>		
Deferred equity offering costs	<u>\$ 322</u>	<u>\$ —</u>
<i>Reconciliation of cash, cash equivalents and restricted cash as shown in the condensed consolidated statements of cash flow</i>		
Cash and cash equivalents	4,243	7,859
Restricted cash and restricted cash included in long-term assets	564	452
Total cash, cash equivalents and restricted cash	<u>\$ 4,807</u>	<u>\$ 8,311</u>

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

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 1:—GENERAL

- a. Polypid Ltd. (the "Company") was incorporated under the laws of Israel and commenced its operations on February 28, 2008. The Company is a Phase 3 clinical-stage pharmaceutical company focused on developing and commercializing novel, locally administered therapies using its PLEX (Polymer-Lipid Encapsulation matrix) technology. The Company's product candidates are designed to address diseases with high unmet medical needs by pairing PLEX technology with drugs already approved by the U.S. Food and Drug Administration. The Company's lead product candidate, D-PLEX₁₀₀, is in potentially pivotal Phase 3 trials for the prevention of abdominal (soft tissue) and sternal (bone) surgical site infections.

The Company wholly-owns subsidiaries in the United States of America and Romania.

Through March 31, 2020, the Company has been primarily engaged in research and development.

- b. The Company's activities since inception have consisted of performing research and development activities. Successful completion of the Company's development programs and, ultimately, the attainment of profitable operations are dependent on future events, including, among other things, its ability to obtain marketing approval from regulatory authorities and access potential markets; secure financing, develop a customer base; attract, retain and motivate qualified personnel; and develop strategic alliances. The Company's operations are funded by its shareholders and research and development grants and the Company intends to seek further private or public financing for continuing its operations. Although management believes that the Company will be able to successfully fund its operations, there can be no assurance that the Company will be able to do so or that the Company will ever operate profitably.

The Company expects to continue to incur substantial losses over the next several years during its clinical development phase. To fully execute its business plan, the Company will need to complete phase III clinical studies and certain development activities as well as manufacture the required clinical and commercial production batches in the pilot manufacturing plant. Further, the Company's product candidates will require regulatory approval prior to commercialization and the Company will need to establish sales, marketing and logistic infrastructures. These activities may span many years and require substantial expenditures to complete and may ultimately be unsuccessful. Any delays in completing these activities could adversely impact the Company.

As of March 31, 2020, the Company had cash, cash equivalents and short-term deposits of \$21,359. During the three months period ended March 31, 2020, the Company incurred a net loss of \$5,869 and had negative cash flows from operating activities of \$4,691. In addition, the Company had an accumulated deficit of \$99,172 at March 31, 2020. Management plans to seek additional equity financing through private and public offerings or strategic partnerships and, in the longer term, by generating revenues from product sales.

The Company's future operations are highly dependent on a combination of factors, including (i) the timely and successful completion of additional financing discussed above; (ii) completion of all required clinical studies; (iii) the success of its research and development activities; (iv) manufacture of all required clinical and commercial production batches; (v) marketing approval by the relevant regulatory authorities; and (vi) market acceptance of the Company's product candidates.

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 1:—GENERAL (Continued)

There can be no assurance that the Company will be successful in obtaining additional financing on favorable terms, or at all or will succeed in achieving the clinical, scientific and commercial milestones as detailed above.

- c. On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a "pandemic" which is now known as COVID-19. The outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations. Our business is likely to be adversely affected by the effects of the recent and evolving COVID-19 pandemic, which has resulted in travel and other restrictions in order to reduce the spread of the disease, including in Israel, the United States and the European Union where we are conducting or planning clinical trials. No impairments were recorded as of the balance sheet date as no triggering events or changes in circumstances had occurred; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES

- a. Basis of presentation:

The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2019.

These unaudited interim consolidated financial statements of the Company, as of March 31, 2020 and for the three months period then ended, have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for annual consolidated financial statements. In the opinion of our management, all material adjustments considered necessary for a fair presentation of the financial information as of and for the periods presented have been included.

- b. Accounting policies:

The significant accounting policies followed in the preparation of these unaudited interim consolidated financial statements are consistent to those applied in the preparation of the latest annual consolidated financial statements.

- c. Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

- d. Unaudited pro forma balance sheet and pro forma net loss per ordinary share:

The Company is contemplating the filing of a Registration Statement with the U.S. Securities and Exchange Commission to register the offer and sale of the Company's Ordinary shares in

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

connection with the Company's planned initial qualified public offering ("Qualified IPO") in accordance with the Company's Amended and Restated Articles of Association.

A Qualified IPO is defined as a closing of an offering by the Company of its securities to the public in a bona fide underwriting arrangement under the U.S. Securities Act of 1933, the Israeli Securities Law or similar securities law of another jurisdiction, with gross offering proceeds of not less than \$22,000.

Immediately prior to the closing of the Qualified IPO, all of the issued and outstanding preferred shares and A warrants will be automatically converted into ordinary shares. The unaudited pro forma balance sheet as of March 31, 2020 has been prepared assuming the automatic conversion of all outstanding preferred shares and A warrants into 12,733,703 ordinary shares, adjusted for the anti-dilution adjustment of the Company's Series E-1 Convertible Preferred shares pursuant to their price protection conversion rights upon completion of an initial public offering (assuming the issuance of such shares at an initial public offering price of \$16.00 per share, the mid-point of the price range set forth on the cover of this prospectus), and the classification of D-2 and E-1 warrants into shareholders' equity. Pro forma net loss per ordinary share is disclosed in the statement of operations which also gives effect to the assumed conversion of the preferred shares as described above.

e. Recently Issued Accounting Pronouncements adopted and not yet adopted

As an "emerging growth company", the Jumpstart Our Business Startups Act (JOBS Act) allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use this extended transition period under the JOBS Act. The adoption dates discussed below reflect this election.

In February 2016, the FASB issued ASU No. 2016-02, Leases, which would require lessees to recognize assets and liabilities on the balance sheet for most leases, whether operating or financing, while continuing to recognize the expenses on their income statements in a manner similar to current practice. Under the new guidance, the company would also require to provide enhanced disclosures. The guidance states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-to-use asset for the right to use the underlying asset for the lease term. The guidance will be effective for the Company beginning January 1, 2022, and interim periods in fiscal years beginning January 1, 2023. The Company is in the initial stage of its assessment of the new standard and is currently evaluating the timing of adoption, the quantitative impact of adoption, and the related disclosure requirements. The Company anticipates the adoption of this standard will result in an increase in its noncurrent assets, and current and noncurrent liabilities recorded on the consolidated balance sheets. The Company is currently evaluating the effect that ASU No. 2016-02 will have on its consolidated financial statements and related disclosures.

In June 2018, the FASB issued ASU No. 2018-07, Improvements to Nonemployee Share-Based Payment Accounting, which simplifies the accounting for share-based payments granted to nonemployees for goods and services and aligns most of the guidance on such payments to the nonemployees with the requirements for share-based payments granted to employees. The guidance will be effective beginning January 1, 2020, and interim periods in fiscal years beginning

POLYPID LTD. AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****U.S. dollars in thousands (except share and per share data)****NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)**

January 1, 2021, using a modified retrospective approach. Early adoption is permitted. The adoption of the standard is not expected to have a material impact on the consolidated statements of operations.

NOTE 3:—COMMITMENTS AND CONTINGENT LIABILITIES

- a. The facilities of the Company are leased under various operating lease agreements for periods ending no later than 2027. The Company also leases motor vehicles under various operating leases, which expire on various dates, the latest of which is in 2022.

As of March 31, 2020 (unaudited), an amount of \$564 was restricted in favor of long-term lease deposits and hedging activities which is classified in the balance sheet as other long-term assets.

Future minimum lease payments under non-cancelable operating leases as of March 31, 2020 (unaudited) are as follows:

	<u>As of</u> <u>March 31,</u> <u>2020</u> <u>Unaudited</u>
2020	815
2021	1,027
2022	974
2023	825
Thereafter	898
Total	<u>\$ 4,539</u>

As of March 31, 2020 (unaudited), the Company made advance payments on account of installments on car leases in the amount of \$57.

Lease and rental expenses for the three months ended March 31, 2020 (unaudited) were \$260.

- b. In connection with its research and development programs, the Company received participation payments from the Israel Innovation Authority of the Ministry of Economy in Israel ("IIA") of \$4,898 for industrial research and development projects as of March 31, 2020 (unaudited). In return for the IIA's participation, the Company is committed to pay royalties at a rate of 3% of sales of the developed products, up to 100% of the amount of grants received plus interest at LIBOR. During the three months ended March 31, 2020 (unaudited) and the year ended December 31, 2019, no royalties have been paid or accrued.
- c. On December 22, 2016, the Company received a written demand for a finder's fee in amount of \$ 250, in connection with 2nd 2016 SPA. In September 2017, a suit was filed against the Company in the Tel-Aviv Magistrates Court in amount of \$ 250. Following an unsuccessful mitigation process, the parties provided their Main Testimony and are waiting for the final verdict in the near future.

On April 30, 2020, the Company received the court ruling, which ruled in favor of PolyPid discharging the entire claim and accordingly reversed the related provision

POLYPID LTD. AND ITS SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****U.S. dollars in thousands (except share and per share data)****NOTE 4:—FAIR VALUE MEASUREMENTS**

Financial instruments measured at fair value on a recurring basis include warrants to convertible preferred shares (see Note 5). The warrants are classified as a liability in accordance with ASC 480-10-25. These warrants were classified as level 3 in the fair value hierarchy since some of the inputs used in the valuation (the share price) were determined based on management's assumptions. To calculate the fair value of the warrants, we first calculated the underlying preferred share value by using the income approach and the market approach. Then the equity value was allocated by using the hybrid model method utilizing two scenarios of OPM and IPO. Once the preferred shares value was derived from the two scenarios, the Black-Scholes model was utilized to calculate the warrants value in each one of the scenarios. 50% probability for each one of the scenarios was applied to derive the weighted average fair value of the warrants.

As of March 31, 2020:

According to the liquidation scenario the underlying share price was between \$13.81 - \$13.95 for the Convertible Preferred E-1 shares. The following assumptions were used to estimate the value of the series E-1 Preferred share warrants as of March 31, 2020: exercise price of \$15.95, expected volatility of 76.55%, risk free interest rates of 0.9%, dividend yield of 0%, and expected term of 2.0 years. Under the IPO scenario the underlying share price was \$11.94 for the Convertible Preferred E-1 shares. The following assumptions were used to estimate the value of the series E-1 Preferred share warrants as of March 31, 2020: exercise price of \$15.95, expected volatility of 87.64%, risk free interest rates of 1.19%, dividend yield of 0%, and expected term of 0.5 years. Accordingly, the fair value of the series E-1 Preferred share warrants as of March 31, 2020 was \$699.

According to the liquidation scenario, the underlying share price was \$10.82 for the Convertible Preferred D-2 shares. The following assumptions were used to estimate the value of the series D-2 Preferred share warrants as of March 31, 2020: exercise price of \$9.24, expected volatility of 76.55%, risk free interest rates of 0.9%, dividend yield of 0% and expected term of 2.0 years. Under the IPO scenario the underlying share price was \$11.94 for the Convertible Preferred D-2 shares. The following assumptions were used to estimate the value of the series D-2 Preferred share warrants as of March 31, 2020: exercise price of \$9.24, expected volatility of 87.64%, risk free interest rates of 1.19%, dividend yield of 0%, and expected term of 0.5 years. Accordingly, the fair value of the series D-2 Preferred share warrants as of March 31, 2020 was \$12,647.

According to the liquidation scenario, the underlying share price was \$4.83 for the Convertible Preferred A shares. The following assumptions were used to estimate the value of the series A Preferred share warrants as of March 31, 2020: exercise price of NIS 0.84 (USD \$0.23), expected volatility of 76.55%, risk free interest rates of 0.9% dividend yield of 0% and expected term of 2.0 years. Under the IPO scenario the underlying share price was \$11.94 for the Convertible Preferred A shares. The following assumptions were used to estimate the value of the series A Preferred share warrants as of March 31, 2020: exercise price of 0.84 NIS (USD \$0.23), expected volatility of 87.64%, risk free interest rates of 1.19%, dividend yield of 0%, and expected term of 0.5 years. Accordingly, the fair value of the series A Preferred share warrants as of March 31, 2020 was \$407.

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 4:—FAIR VALUE MEASUREMENTS (Continued)

The change in the fair value of the preferred share warrant liability is summarized below:

	March 31, 2020 <u>Unaudited</u>	December 31, 2019 <u>Audited</u>
Beginning of year	\$ 12,241	\$ 22,926
Issuance of warrants	—	680
Change in fair value	1,512	(11,365)
End of period	<u>\$ 13,753</u>	<u>\$ 12,241</u>

NOTE 5:—CONVERTIBLE PREFERRED SHARES AND WARRANTS

a. The composition of the Company's convertible preferred shares is as follows:

	March 31, 2020 (unaudited)		December 31, 2019	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of shares			
Series A Convertible Preferred shares with no par value	537,750	483,975	537,750	483,975
Series A-1 Convertible Preferred shares with no par value	896,250	798,950	896,250	798,950
Series B Convertible Preferred shares with no par value	597,500	566,386	597,500	566,386
Series B-1 Convertible Preferred shares with no par value	1,867,562	1,751,309	1,867,562	1,751,309
Series C-1 Convertible Preferred shares with no par value	717,000	645,923	717,000	645,923
Series C-2 Convertible Preferred shares with no par value	454,100	410,197	454,100	410,197
Series D-1 Convertible Preferred shares with no par value	2,509,500	2,376,512	2,509,500	2,376,512
Series D-2 Convertible Preferred shares with no par value	2,868,000	—	2,868,000	—
Series D-3 Convertible Preferred shares with no par value	597,500	576,944	597,500	576,944
Series E Convertible Preferred shares with no par value	1,135,250	851,795	1,135,250	851,795
Series E-1 Convertible Preferred shares with no par value	5,736,000	4,058,986	5,736,000	4,058,986
Total	<u>17,916,412</u>	<u>12,520,977</u>	<u>17,916,412</u>	<u>12,520,977</u>

The Company issued Series A, A-1, B, B-1, C-1, C-2, D-1, D-3, E and E-1 preferred shares between February 2008 and March 31, 2020. The Company classifies the convertible preferred shares outside of shareholders' deficiency as required by ASC 480-10-S99-3A and ASR 268, since

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 5:—CONVERTIBLE PREFERRED SHARES AND WARRANTS (Continued)

these preferred shares are entitled to liquidation preferences which may trigger a distribution of cash or assets that is not solely within the Company's control.

b. Financing round:

During August 2018 through February 2019, the Company entered into Securities Purchase Agreement (the "2018 SPA") with new and existing investors for an aggregate amount of up to \$35,000. The Company received \$15,577 and issued to the investors 1,187,887 series E-1 Preferred shares (net of \$187 issuance costs in cash in 2018) at a price per share of \$13.30. As part of the 2018 SPA, the Company converted 274,434 series E Preferred shares to series E-1 Preferred shares to holders of series E Preferred shares who participated in 2018 SPA pursuant to the conversion rights of the 2018 SPA.

During June 2019 the Company prepared a Private Placement Memorandum (the '2019 PPM') which includes the 2018 SPA and allows the Company to raise up to \$ 50,000 from new and existing shareholders. From June to August 2019, the Company received \$30,717 and issued to the investors 2,596,665 series E-1 Preferred shares (net of \$3,142 issuance costs in cash and warrants in amount \$ 680 at a price of \$13.30).

c. Warrants:

In March 2008, in connection with the March 2008 Founders and Share Purchase Agreement, the Company granted to the investor warrants to purchase preferred A shares, with an exercise price of NIS 0.84 (USD \$0.23). The A warrants may be converted at any time until the earlier of (1) consummation of an initial public offering on certain stock exchanges as set forth in the warrant terms, with net proceeds to the Company of at least \$15,000 (and pre-money valuation of at least \$75,000), (2) merger or consolidation of the Company with another company, and (3) the sale of substantially all of the Company's assets or substantially all of the shares to another party.

In connection with 2016 SPA, the Company granted to the investors warrants to purchase up to 2,755,398 D-2 Preferred shares at a price per share of \$9.24.

The survival of D-2 warrants shall be limited to a period ending upon the earlier of: (i) the lapse of 5 years from closing; or (ii) deemed liquidation event.

The D-2 warrants will be exercised automatically if they are still outstanding on the final day of the warrant period as defined in the warrants grant letter, and if the fair market value of a warrant share is more than the exercise price for such share.

All outstanding A and D-2 warrants are classified as a long-term liability and are re-measured at each reporting date, as the underlying shares may be redeemed upon an event which is not solely in the control of the Company.

On June 28, 2019, in connection with 2019 PPM, the Company included the following as part of its issuance costs, (i) warrants to purchase up to 200,596 E-1 Preferred shares at a price per share of \$15.95 against payment of a total exercise amount of up to \$ 3,200 and (ii) a cash fee of 10% of any new investment that were introduced by National Securities. The survival of E-1 warrants shall be limited to a period ending upon 4 years from closing. As of March 31, 2020, 200,596 E-1 warrants, 2,755,398 D-2 warrants and 53,775 A warrants are outstanding.

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 6:—SHAREHOLDERS' DEFICIENCY

a. Ordinary share capital is composed as follows:

	March 31, 2020 Unaudited		December 31, 2019	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of shares			
Ordinary shares with no par value	22,466,000	562,748	22,466,000	562,748

b. Share option plans:

The Company authorized through its 2012 Share Option Plan, the grant of options to officers, directors, advisors, management and other key employees of up to 2,859,494 ordinary shares. The options granted generally have a three-year vesting period and expire ten years after the date of grant. Options granted under the Company's option plan that are cancelled or forfeited before expiration become available for future grant. As of March 31, 2019 (unaudited), 1,176,030 of the Company's options were available for future grants.

A summary of the status of the Company's option plan as of March 31, 2020 (unaudited), and changes during the period then ended is presented below:

	Three months ended March 31, 2020		
	Number of options	Weighted average exercise price Unaudited	Aggregate intrinsic value
Outstanding at beginning of period	1,217,985	4.62	3,411
Granted	59,209	6.80	
Exercised	—	—	
Forfeited and cancelled	—	—	
Outstanding at end of period	<u>1,277,194</u>	4.73	3,180
Exercisable options	<u>1,123,524</u>	4.34	3,180
Vested and expected to vest	<u>1,277,194</u>	4.73	3,180

As of March 31, 2020 (unaudited), there were unrecognized compensation costs of \$774, which are expected to be recognized over a weighted average period of approximately 1.7 years.

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 6:—SHAREHOLDERS' DEFICIENCY (Continued)

The total equity-based compensation expense related to all of the Company's equity-based awards recognized for the three months ended March 31, 2020 and 2019 (unaudited), was comprised as follows:

	Three months ended	
	March 31,	
	2020	2019
Research and development	53	48
General and administrative	136	139
Total share-based compensation expense	189	187

No options were exercised during the three months ended March 31, 2020 (unaudited).

The Company's board of directors deemed the fair value of the Company's ordinary shares to be \$6.62 per share as of March 31, 2020 (unaudited).

The options outstanding as of March 31, 2020 (unaudited) have been separated into ranges of exercise prices, as follows:

Exercise price	Options outstanding as of March 31, 2020	Weighted average exercise price	Weighted average remaining contractual term (years)	Options exercisable as of March 31, 2020	Weighted average exercise price	Weighted average remaining contractual term (years)
*0.22	249,561	0.22	2.97	249,561	0.22	2.97
1.76	107,904	1.76	2.97	107,904	1.76	2.97
3.60	83,503	3.60	3.08	83,503	3.60	3.08
5.06	284,794	5.06	4.09	284,794	5.06	4.09
9.24	200,229	9.24	5.63	200,229	9.24	5.63
3.10	31,938	3.10	6.16	31,938	3.10	6.16
3.93	58,854	3.93	6.73	58,854	3.93	6.73
4.10	20,914	4.10	6.94	20,914	4.10	6.94
4.18	15,057	4.18	7.15	15,057	4.18	7.15
7.70	68,017	7.70	7.60	51,175	7.70	7.60
8.42	7,589	8.42	8.53	3,545	8.42	8.52
8.65	15,535	8.65	8.39	7,729	8.65	8.27
8.02	74,090	8.02	9.09	8,321	8.02	8.97
6.80	59,209	6.80	9.86	—	6.80	—
	<u>1,277,194</u>	4.73	5.03	<u>1,123,524</u>	4.34	4.46

* The exercise price as per the option terms was denominated in NIS and translated to US\$ in the table above using the exchange rate as of the grant date. The options were granted at ordinary share par value.

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 6:—SHAREHOLDERS' DEFICIENCY (Continued)

c. Options issued to non-employees:

The outstanding options granted to consultants as of March 31, 2020 (unaudited) were as follows:

Grant date	Options outstanding as of March 31, 2020	Exercise price per share	Options exercisable as of March 31, 2020	Exercisable through
March 2013	22,258	\$ 1.76	22,258	March 2023
October 2013	5,719	\$ 5.06	5,719	October 2023
June 2014	5,617	\$ 5.06	5,617	June 2024
September 2014	5,719	\$ 5.06	5,719	September 2024
April 2016	5,975	\$ 3.10	5,975	April 2026
December 2016	7,170	\$ 3.93	7,170	December 2026
June 2017	197,722	\$ 4.10	75,467	June 2027
August 2017	5,617	\$ 9.29	5,617	August 2027
November 2017	53,775	\$ 7.70	40,331	November 2027
August 2019	71,700	\$ 8.18	46,179	August 2029
	<u>381,272</u>		<u>220,052</u>	

NOTE 7:—BASIC AND DILUTED NET LOSS PER SHARE

The following table sets forth the computation of the Company's basic and diluted net loss per ordinary share:

	Three months ended March 31,	
	2020	2019
Numerator:		
Net loss attributable to ordinary shares as reported	\$ (5,869)	\$ (1,230)
Preferred share dividend	(1,952)	(1,306)
Net loss applicable to ordinary shareholders	<u>(7,821)</u>	<u>(2,536)</u>
Denominator:		
Weighted average shares used in computing net loss per ordinary share, basic and diluted:	562,748	562,179
Ordinary share—basic and dilutive	<u>562,748</u>	<u>562,179</u>
Net loss per ordinary share, basic and diluted	<u>\$ (13.90)</u>	<u>\$ (4.51)</u>

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 8:—PRO FORMA BASIC AND DILUTED NET LOSS PER SHARE (UNAUDITED)

The following table sets forth the computation of the Company's pro forma basic and diluted net loss per ordinary share (unaudited):

	Three months ended March 31, 2020
	Unaudited
Net loss attributable to ordinary shares as reported	\$ (7,821)
Shares used in computing net loss per ordinary share, basic and diluted	562,748
Pro forma adjustments to reflect assumed conversion of convertible preferred shares and exercise of warrants A	12,733,703
Shares used in computing pro forma net loss per ordinary share, basic and diluted	13,296,451
Pro forma net loss per ordinary share, basic and diluted	\$ (0.59)

The A warrants will expire upon the consummation of the Company's initial public offering. Accordingly, the Company assumes, considering the exercise price of the A warrants and the fair value of the Company's Ordinary Shares at present, and the increase in fair value following the Company's initial public offering, that the investors will exercise the A warrants prior to the warrants' expiration.

The D-2 and E-1 warrants, on the other hand, do not expire upon the consummation of the Company's initial public offering. Accordingly, no assumptions are made regarding exercise by investors. Furthermore, pursuant to their terms, if at any time the entire class of Series D-2 and E-1 preferred shares is converted into Ordinary Shares, then the warrant shall automatically be deemed exercisable into Ordinary Shares. Pursuant to the Company's articles of association currently in effect, upon the consummation of the Company's initial public offering, the entire class of Series D-2 and E-1 preferred shares shall be converted into Ordinary Shares.

NOTE 9:—SUBSEQUENT EVENTS

The Company evaluates events or transactions that occur after the balance sheet date but prior to the issuance of the financial statements to identify matters that require additional disclosure. For its financial statements as of March 31, 2020 and for the three months then ended, the Company evaluated subsequent events through June 15, 2020 the date that the financial statements were issued. The Company has concluded that no subsequent event has occurred that require disclosure.

- a. On June 4 and June 11, 2020, the Board of Directors recommended the Company's shareholders approve grants of options to purchase 220,597 ordinary shares to the Company's CEO and certain Board members, which was approved by the Company's shareholders on June 18, 2020. In addition, the Board of Directors granted options to purchase options to purchase 781,571 ordinary shares to Company employees, a member of the scientific advisory board and an observer to the Board of Directors.
- b. On June 21, 2020 the Board of Directors resolved to consolidate the Company share capital by applying a reverse share split at a ratio of 1.046:1 (the 'Reverse Split Ratio') and to cancel the par

POLYPID LTD. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 9:—SUBSEQUENT EVENTS (Continued)

value such that every 1.046 Ordinary shares of NIS 0.8 par value, will be substituted by 1 ordinary share with no par value, (the 'Split'). The Split shall be applied in the same proportion and manner to all of the Company's Ordinary shares, including Ordinary shares issued upon conversion of the Company's Convertible Preferred shares and Ordinary shares underlying options and warrants in accordance with their respective terms and constituted documents.



PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 6. Indemnification of Directors, Officers and Employees.

Indemnification

The Israeli Companies Law 5759-2999, or the Israeli Companies Law, and the Israeli Securities Law, 5728-1968, or the Securities Law, provide that a company may indemnify an office holder against the following liabilities and expenses incurred for acts performed by him or her as an office holder, either pursuant to an undertaking made in advance of an event or following an event, provided its articles of association include a provision authorizing such indemnification:

- a financial liability imposed on him or her in favor of another person by any judgment concerning an act performed in his or her capacity as an office holder, including a settlement or arbitrator's award approved by a court;
- reasonable litigation expenses, including attorneys' fees, expended by the office holder (a) as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (1) no indictment (as defined in the Israeli Companies Law) was filed against such office holder as a result of such investigation or proceeding; and (2) no financial liability as a substitute for the criminal proceeding (as defined in the Israeli Companies Law) was imposed upon him or her as a result of such investigation or proceeding, or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent; or (b) in connection with a monetary sanction;
- reasonable litigation expenses, including attorneys' fees, expended by the office holder or imposed on him or her by a court: (1) in proceedings that the company institutes, or that another person institutes on the company's behalf, against him or her; (2) in a criminal proceedings of which he or she was acquitted; or (3) as a result of a conviction for a crime that does not require proof of criminal intent; and
- expenses incurred by an office holder in connection with an administrative procedure instituted against such office holder, or certain compensation payments made to an injured party imposed on an office holder by an administrative proceeding, under the Securities Law.

The Israeli Companies Law also permits a company to undertake in advance to indemnify an office holder, provided that if such indemnification relates to financial liability imposed on him or her, as described above, then the undertaking should be limited and shall detail the following foreseen events and amount or criteria:

- to events that in the opinion of the board of directors can be foreseen based on the company's activities at the time that the undertaking to indemnify is made; and
- in amount or criteria determined by the board of directors, at the time of the giving of such undertaking to indemnify, to be reasonable under the circumstances.

We have entered into indemnification agreements with all of our directors and with all members of our senior management. Each such indemnification agreement provides the office holder with indemnification permitted under applicable law and up to a certain amount, and to the extent that these liabilities are not covered by directors and officers insurance.

Insurance

An Israeli company may insure an office holder against the following liabilities incurred for acts performed as an office holder if and to the extent provided in the company's articles of association:

- a breach of the duty of loyalty to the company, to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not harm the company;
- a breach of the duty of care to the company or to a third-party, including a breach arising out of the negligent conduct of the office holder; and
- a financial liability imposed on the office holder in favor of a third-party.

Exculpation

Under the Israeli Companies Law, an Israeli company may not exculpate an office holder from liability for a breach of his or her duty of loyalty, but may exculpate in advance an office holder from his or her liability to the company, in whole or in part, for damages caused to the company as a result of a breach of his or her duty of care (other than in relation to distributions), but only if a provision authorizing such exculpation is included in its articles of association. Our amended and restated articles of association provide that we may exculpate, in whole or in part, any office holder from liability to us for damages caused to the company as a result of a breach of his or her duty of care, but prohibit an exculpation from liability arising from a company's transaction in which our controlling shareholder or officer has a personal interest. Subject to the aforesaid limitations, under the indemnification agreements, we will exculpate and release our office holders from any and all liability to us related to any breach by them of their duty of care to us to the fullest extent permitted by law.

Limitations

The Israeli Companies Law provides that we may not exculpate or indemnify an office holder nor enter into an insurance contract that would provide coverage for any liability incurred as a result of any of the following: (1) a breach by the office holder of his or her duty of loyalty unless (in the case of indemnity or insurance only, but not exculpation) the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice us; (2) a breach by the office holder of his or her duty of care if the breach was carried out intentionally or recklessly (as opposed to merely negligently); (3) any act or omission committed with the intent to derive an illegal personal benefit; or (4) any fine, monetary sanction, penalty or forfeit levied against the office holder.

Under the Israeli Companies Law, exculpation, indemnification and insurance of office holders in a public company must be approved by the compensation committee and the board of directors and, with respect to certain office holders or under certain circumstances, also by the shareholders.

Our amended and restated articles of association to be effective upon the closing of this offering will permit us to exculpate, indemnify and insure our office holders to the fullest extent permitted or to be permitted by the Israeli Companies Law.

We intend to obtain directors and officers liability insurance for the benefit of our office holders and intend to continue to maintain such coverage and pay all premiums thereunder to the fullest extent permitted by the Israeli Companies Law. In addition, prior to the closing of this offering, we intend to enter into agreements with each of our directors and executive officers exculpating them from liability to us for damages caused to us as a result of a breach of duty of care and undertaking to indemnify them, in each case, to the fullest extent permitted by our amended and restated articles of association to be effective upon the closing of this offering and Israeli law, including with respect to liabilities resulting from this offering to the extent that these liabilities are not covered by insurance.

Insofar as the indemnification for liabilities arising under the Securities Act of 1933, as amended, or the Securities Act, may be permitted to directors, officers or persons controlling the registrant, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 7. Recent Sales of Unregistered Securities.

The following list sets forth information as to all securities we have sold since January 1, 2017, which were not registered under the Securities Act.

- In August through December 2017, we issued an aggregate of 1,126,229 Series E preferred shares pursuant to a private placement, at a price per share of \$13.30.
- In October 2018 and February 2019, we issued an aggregate of 1,187,887 Series E-1 preferred shares pursuant to a private placement, at a price per share of \$13.30.
- In June 2019 through August 2019, we issued an aggregate of 2,596,665 Series E-1 preferred shares pursuant to a private placement, at a price per share of \$13.30. In addition, in connection with the foregoing placement, we issued warrants to purchase 200,596 Series E-1 preferred shares to a placement agent.

The sales of the above securities were deemed to be exempt from registration under the Securities Act because they were made outside of the United States of America to certain non-U.S. individuals or entities pursuant to Regulation S or, in reliance upon the exemption from registration provided under Section 4(a)(2) of the Securities Act and the regulations promulgated thereunder.

Additionally, since January 1, 2017 we have granted share options to employees, directors, consultants and service providers under our 2012 Plan covering an aggregate of 1,544,091 ordinary shares, with exercise prices ranging from \$4.10 to \$8.65 per share.

We claimed exemption from registration under the Securities Act for the option grants described above under Section 4(a)(2), Regulation S, or under Rule 701 of the Securities Act as transactions pursuant to written compensatory plans or pursuant to a written contract relating to compensation.

No underwriters were employed in connection with the securities issuances set forth in this Item.

Item 8. Exhibits and Financial Statement Schedules.

- (a) **Exhibits.** See the Exhibit Index attached to this registration statement, which is incorporated by reference herein.
- (b) **Financial Statement Schedules.** Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 9. Undertakings.

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful

defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

- (1) for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective; and
- (2) for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

EXHIBIT INDEX

<u>EXHIBIT NUMBER</u>	<u>EXHIBIT DESCRIPTION</u>
1.1	Form of Underwriting Agreement
3.1	Amended and Restated Articles of Association of the Registrant, as currently in effect
3.2	Form of Articles of Association of the Registrant to be effective upon the closing of this offering
4.1*	Form of Warrant to purchase Series D-2 Preferred Shares
4.2*	Form of Warrant to purchase Series E-1 Preferred Shares
5.1	Opinion of Sullivan & Worcester Israel (Har-Even & Co.), Israeli counsel to the Registrant, as to the validity of the ordinary shares
10.1	Form of Officer Indemnity and Exculpation Agreement
10.2*	Amended and Restated PolyPid Ltd. 2012 Share Option Plan
10.3*	Amended and Restated Investors' Rights Agreement, dated June 28, 2019, among the Registrant and the shareholders named therein
10.4*	Lease Agreement, dated March 27, 2014, by and between the Registrant and Ogen Yielding Real Estate Ltd. (unofficial English translation from Hebrew original).
10.4.1*	Addendum to Lease Agreement, dated July 1, 2014, by and between the Registrant and Ogen Yielding Real Estate Ltd. (unofficial English translation from Hebrew original).
10.4.2*	Second Addendum to Lease Agreement, dated July 23, 2017, by and between the Registrant and Ogen Yielding Real Estate Ltd. (unofficial English translation from Hebrew original).
10.4.3*	Third Addendum to Lease Agreement, dated November 28, 2017, by and between the Registrant and Ogen Yielding Real Estate Ltd. (unofficial English translation from Hebrew original).
10.4.4*	Fourth Addendum to Lease Agreement, dated January 22, 2018, by and between the Registrant and Ogen Yielding Real Estate Ltd. (unofficial English translation from Hebrew original).
10.4.5*	Fifth Addendum to Lease Agreement, dated November 4, 2018, by and between the Registrant and Ogen Yielding Real Estate Ltd. (unofficial English translation from Hebrew original).
10.4.6*	Sixth Addendum to Lease Agreement, dated December 15, 2019, by and between the Registrant and Ogen Yielding Real Estate Ltd. (unofficial English translation from Hebrew original).
10.5	Compensation Policy.
21.1*	Subsidiaries of the Registrant
23.1	Consent of Kost, Forer, Gabbay & Kasierer, Certified Public Accountants (Israel), an independent registered public accounting firm and a member firm of Ernst & Young LLP
23.2	Consent of Sullivan & Worcester Israel (Har-Even & Co.) (included in Exhibit 5.1)
23.3*	Consent of Life Science Intelligence, Inc.
24.1	Power of Attorney (included in signature pages of Registration Statement)

* Previously filed.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
* _____ Chaim Hurvitz	Director	June 22, 2020
* _____ Itzhak Krinsky, Ph.D.	Director	June 22, 2020
* _____ Anat Tsour Segal	Director	June 22, 2020
* _____ Robert B. Stein, M.D., Ph.D.	Director	June 22, 2020
/s/ STANLEY STERN _____ Stanley Stern	Director	June 22, 2020

*By: /s/ AMIR WEISBERG

Amir Weisberg
Attorney-in-fact

PolyPid Inc.

By: /s/ AMIR WEISBERG

Name: Amir Weisberg
Title: *President*

AUTHORIZED U.S. REPRESENTATIVE

June 22, 2020

SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES

Pursuant to the requirements of the Securities Act of 1933, as amended, the undersigned, the duly authorized representative in the United States of PolyPid Ltd., has signed this Registration Statement on this 22nd day of June, 2020.

POLYPID INC.

By: /s/ AMIR WEISBERG

Amir Weisberg
President

II-8

PolyPid Ltd.

[·] Ordinary Shares, no par value per share

Underwriting Agreement

[·], 2020

Barclays Capital Inc.

As representative (the "Representative") of the several Underwriters
named in Schedule I hereto,c/o Barclays Capital Inc.
745 Seventh Avenue
New York, New York 10019

Ladies and Gentlemen:

PolyPid Ltd., a company organized under the laws of the State of Israel (the "Company"), proposes, subject to the terms and conditions stated in this underwriting agreement (this "Agreement"), to issue and sell to the Underwriters named in Schedule I hereto (the "Underwriters") an aggregate of [·] ordinary shares (the "Firm Shares") and, at the election of the Underwriters, up to [·] additional ordinary shares (the "Optional Shares") of the Company (the Firm Shares and the Optional Shares that the Underwriters elect to purchase pursuant to Section 2 hereof being collectively called the "Shares").

1. The Company represents and warrants to, and agrees with, each of the Underwriters that:

(a) A registration statement on Form F-1 (File No. 333-238978) (the "Initial Registration Statement") in respect of the Shares has been filed with the Securities and Exchange Commission (the "Commission"); the Initial Registration Statement and any post-effective amendment thereto, each in the form heretofore delivered to you and, excluding exhibits thereto, to you for each of the other Underwriters, have been declared effective by the Commission in such form; other than a registration statement, if any, increasing the size of the offering (a "Rule 462(b) Registration Statement"), filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the "Act"), which became effective upon filing, no other document with respect to the Initial Registration Statement has been filed with the Commission; and no stop order suspending the effectiveness of the Initial Registration Statement, any post-effective amendment thereto or the Rule 462(b) Registration Statement, if any, has been issued and, no proceeding for that purpose has been initiated or, to the Company's knowledge, threatened by the Commission (any preliminary prospectus included in the Initial Registration Statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the Act is hereinafter called a "Preliminary Prospectus"; the various parts of the Initial Registration Statement and the Rule 462(b) Registration Statement, if any, including all exhibits thereto and including the information contained in the form of final prospectus filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 5(a) hereof and deemed by virtue of Rule 430A under the Act to be part of the Initial Registration Statement at the time it was declared effective, each as amended at the time such part of

the Initial Registration Statement became effective or such part of the Rule 462(b) Registration Statement, if any, became or hereafter becomes effective, are hereinafter collectively called the “Registration Statement”; the Preliminary Prospectus relating to the Shares that was included in the Registration Statement immediately prior to the Applicable Time (as defined in Section 1(d) hereof) is hereinafter called the “Pricing Prospectus”; and such final prospectus, in the form first filed pursuant to Rule 424(b) under the Act, is hereinafter called the “Prospectus” and any “issuer free writing prospectus” as defined in Rule 433 under the Act relating to the Shares is hereinafter called an “Issuer Free Writing Prospectus”;

(b) (A) No order preventing or suspending the use of any Preliminary Prospectus or any Issuer Free Writing Prospectus has been issued by the Commission, and (B) the Pricing Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder, and did not contain, at the time of filing thereof, an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information (as defined in Section 9(b) of this Agreement);

(c) Any oral or written communication with potential investors undertaken in reliance on Section 5(d) of the Act is hereinafter called a “Section 5(d) Communication”; and any Section 5(d) Communication that is a written communication within the meaning of Rule 405 under the Act is hereinafter called a “Section 5(d) Writing”;

(d) For the purposes of this Agreement, the “Applicable Time” is [·] p.m. (Eastern time) on the date of this Agreement. The Pricing Prospectus, as supplemented by the information listed on Schedule II(c) hereto, taken together (collectively, the “Pricing Disclosure Package”), as of the Applicable Time, did not, and as of each Time of Delivery (as defined in Section 4(a) of this Agreement) will not, include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and each Issuer Free Writing Prospectus and each Section 5(d) Writing does not conflict with the information contained in the Registration Statement, the Pricing Prospectus or the Prospectus and each Issuer Free Writing Prospectus and each Section 5(d) Writing, as supplemented by and taken together with the Pricing Disclosure Package, as of the Applicable Time, did not, and as of each Time of Delivery will not, include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to statements or omissions made in reliance upon and in conformity with the Underwriter Information.

(e) The Registration Statement conforms and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus will conform, in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and do not and will not, as of the applicable effective date as to each part of the Registration Statement, as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, and as of each Time of Delivery, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the case of the Prospectus or any amendment or supplement thereto, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not

apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(f) The Company and its subsidiaries, taken as a whole, have not, since the date of the latest audited financial statements included in the Registration Statement and the Pricing Prospectus, (i) sustained any material loss or material interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any material labor dispute or court or governmental action, order or decree or (ii) entered into any transaction or agreement (whether or not in the ordinary course of business) that is material to the Company and its subsidiaries taken as a whole or incurred any liability or obligation, direct or contingent, that is material to the Company and its subsidiaries taken as a whole, in each case, in each case otherwise than as set forth or contemplated in the Pricing Prospectus; and, since the respective dates as of which information is given in the Registration Statement and the Pricing Prospectus, there has not been (x) any change in the share capital (other than as a result of (i) the grant, vesting, exercise or settlement, if any, of share options or the award, if any, of share options, restricted shares or other equity incentives in the ordinary course of business pursuant to the Company's equity plans that are described in the Registration Statement, the Pricing Prospectus and the Prospectus or (ii) the issuance, if any, of ordinary shares upon conversion of Company securities as described in the Registration Statement, the Pricing Prospectus and the Prospectus) or long-term debt of the Company or any of its subsidiaries or (y) any Material Adverse Effect (as defined below); as used in this Agreement, "Material Adverse Effect" shall mean any material adverse change, or any development involving a prospective material adverse change, in or affecting (i) the business, properties, general affairs, management, financial position, shareholders' equity, results of operations or prospects of the Company and its subsidiaries, taken as a whole, except as set forth or contemplated in the Registration Statement, the Pricing Prospectus and the Prospectus, or (ii) the ability of the Company to perform its obligations under this Agreement, including the issuance and sale of the Shares, or to consummate the transactions contemplated in the Registration Statement, the Pricing Prospectus and the Prospectus;

(g) The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property and other assets owned by them, in each case free and clear of all security interests, liens, encumbrances and defects except such as are described in the Registration Statement, the Pricing Prospectus and Prospectus or such as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and its subsidiaries; and any real property and buildings held under lease by the Company and its subsidiaries are held by them, to their knowledge, under valid, subsisting and enforceable leases (subject to the effects of (A) bankruptcy, insolvency, fraudulent conveyance, fraudulent transfer, reorganization, moratorium or other similar laws relating to or affecting rights or remedies of creditors generally; (B) the application of general principles of equity (including without limitation, concepts of materiality, reasonableness, good faith and fair dealing, regardless of whether enforcement is considered in proceedings at law or in equity); and (C) applicable laws and public policy with respect to rights to indemnity and contribution) with such exceptions as are not material and do not materially interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries;

(h) The Company has (i) been duly organized and is validly existing and in good standing under the laws of its jurisdiction of organization, with power and authority (corporate and other) to conduct its business as described in the Registration Statement, the Pricing Prospectus and Prospectus, and (ii) been duly qualified as a foreign corporation for the transaction of business and is

in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except, in the case of this clause (ii), where the failure to be so qualified or in good standing would not, individually or in the aggregate, have a Material Adverse Effect, and each “Significant Subsidiary” (as such term is defined in Rule 1-02 of Regulation S-X) of the Company has been listed in the Registration Statement; and (iii) is not currently designated as a “breaching company” (within the meaning of the Companies Law) by the Registrar of the Companies of the State of Israel. Each of clauses (i) and (ii) in this Section 1(h) also apply to each of the Company’s subsidiaries. The certificate of incorporation, articles of association and other organizational documents of the Company comply, with the requirements of applicable Israeli law and are in full force and effect;

(i) The Company has an authorized capitalization as set forth in the Pricing Prospectus and all of the issued shares of the Company have been duly and validly authorized and issued and are fully paid and non-assessable, have been issued in compliance, with the Israeli Companies Law 5759-1999 (the “Companies Law”) and the Israeli Securities Law 5728-1968, as amended, and the regulations promulgated thereunder (collectively, the “Israeli Securities Law”), and conform in all material respects to the description of the ordinary shares contained in the Pricing Disclosure Package and Prospectus; and all of the issued shares of each Significant Subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and (except, in the case of any foreign subsidiary, for directors’ qualifying shares and except as otherwise set forth in the Pricing Prospectus) are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims, except for such liens or encumbrances that would not be reasonably expected to have a Material Adverse Effect;

(j) The Shares to be issued and sold by the Company to the Underwriters hereunder have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued and fully paid and non-assessable and will conform to the description of the ordinary shares contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus; and the issuance of the Shares is not subject to any preemptive or similar rights;

(k) The issue and sale of the Shares and the compliance by the Company with this Agreement and the consummation of the transactions contemplated in this Agreement and the Pricing Prospectus will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, (A) any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument (including, without limitation, any other instrument or agreement evidencing, guaranteeing, securing or relating to indebtedness) to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, including (w) any instrument of approval granted to the Company by the Israel Innovation Authority of the Israeli Ministry of Economy and Industry (the “IIA”) or (x) any instrument of approval granted to the Company by the Investment Center of the Israeli Ministry of Economy and Industry (the “Investment Center”), (B) the certificate of incorporation, articles of association or by-laws (or other applicable organizational document) of the Company or any of its subsidiaries, or (C) any statute or any judgment, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Shares or the consummation by the Company of the transactions contemplated by this Agreement, except (y) such as have been obtained under the Act, the approval by the Financial Industry

Regulatory Authority (“FINRA”) of the underwriting terms and arrangements, the approval for listing the Shares on The Nasdaq Stock Market Inc.’s Global Market (“Nasdaq”), and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters; and (z) for the filing of certain notices with the Registrar of Companies of the State of Israel regarding the issuance of the Shares and the Company becoming a “public company” (within the meaning of the Companies Law) or the filing of certain information following the Applicable Time with the Investment Center and the IIA, except in the case of clauses (A) and (C) for such conflicts, breaches, defaults or violations that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Subject to the Underwriters’ compliance with their obligations under Section 6(f) hereof, the Company is not required to publish a prospectus in the State of Israel under the laws of the State of Israel with respect to the offer or sale of the Shares;

(l) Neither the Company nor any of its subsidiaries is (i) in violation of its certificate of incorporation, articles of association or by-laws (or other applicable organizational document), (ii) in violation of any statute or any judgment, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, or (iii) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound, except, in the case of the foregoing clauses (ii) and (iii), for such violations or defaults as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(m) The statements set forth in the Registration Statement, the Pricing Prospectus and Prospectus under the caption “Description of Share Capital”, insofar as they purport to constitute a summary of the terms of the Shares, under the caption “Taxation”, and under the caption “Underwriting”, insofar as they purport to describe the provisions of the laws, legal conclusions related thereto and documents referred to therein, are accurate and complete in all material respects;

(n) Other than as set forth in the Registration Statement, the Pricing Prospectus and the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property of the Company or any of its subsidiaries is the subject which, if determined adversely to the Company or any of its subsidiaries (or such officer or director), would individually or in the aggregate reasonably be expected to have a Material Adverse Effect; and, to the Company’s knowledge, no such proceedings are threatened or contemplated by governmental authorities or others;

(o) The Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof, will not be an “investment company”, as such term is defined in the Investment Company Act of 1940, as amended (the “Investment Company Act”);

(p) At the time of filing the Initial Registration Statement and any post-effective amendment thereto, at the earliest time thereafter that the Company or any offering participant made a bona fide offer (within the meaning of Rule 164(h)(2) under the Act) of the Shares, and at the date hereof, the Company was not and is not an “ineligible issuer,” as defined under Rule 405 under the Act;

(q) The Company is a “foreign private issuer” within the meaning of Rule 405 under the Act;

(r) Kost, Forer, Gabbay & Kasierer, a member firm of Ernst & Young LLP, who have certified certain financial statements of the Company and its subsidiaries, are independent public accountants as required by the Act and the rules and regulations of the Commission thereunder;

(s) The Company maintains a system of internal control over financial reporting as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that (i) complies with the requirements of the Exchange Act applicable to the Company and (ii) has been designed by the Company’s principal executive officer and principal financial officer, or under their 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 and (iii) is sufficient to provide reasonable assurance that (A) transactions are executed in accordance with management’s general or specific authorization, (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets, (C) access to assets is permitted only in accordance with management’s general or specific authorization and (D) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and the Company’s internal control over financial reporting is effective and the Company is not aware of any material weaknesses in its internal control over financial reporting (it being understood that this subsection shall not require the Company to comply with Section 404 of the Sarbanes-Oxley Act (as defined below), as of an earlier date than it would otherwise be required to so comply under applicable law);

(t) Since the date of the latest audited financial statements included in the Pricing Prospectus, there has been no change in the Company’s internal control over financial reporting that has materially and adversely affected, or is reasonably likely to materially and adversely affect, the Company’s internal control over financial reporting;

(u) The Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) that comply with the requirements of the Exchange Act; such disclosure controls and procedures have been designed to ensure that material information relating to the Company and its subsidiaries is made known to the Company’s principal executive officer and principal financial officer by others within those entities; and such disclosure controls and procedures are effective;

(v) There are no debt securities or preferred shares issued, or guaranteed by, the Company or any of its subsidiaries that are rated by a “nationally recognized statistical rating organization,” as such term is defined in Section 3(a)(62) of the Exchange Act;

(w) This Agreement has been duly authorized, executed and delivered by the Company;

(x) All statistical, demographic and market related data included in the Registration Statement, the Pricing Prospectus and the Prospectus are based on or derived from sources that the Company believes to be reliable and accurate in all material respects. To the extent required, the Company has obtained the written consent to the use of such data from such sources.

(y) None of the Company or any of its subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee, affiliate or other person associated with or acting on behalf of the Company or any of its subsidiaries has, in the course of its actions for, or on behalf of, the Company or any of its subsidiaries: (i) made, offered, promised or authorized any unlawful contribution, gift, entertainment or other unlawful expense; (ii) made, offered, promised or authorized any direct or indirect bribe, kickback, rebate, payoff, influence payment, or otherwise unlawfully provided anything of value, to any “foreign official” (as defined in the U.S. Foreign Corrupt Practices Act of 1977, as amended (collectively, the “FCPA”)) or domestic

government official; or (iii) violated or is in violation of any provision of the FCPA, the Bribery Act 2010 of the United Kingdom, as amended (the “Bribery Act 2010”), Sections 291 and 291A Israeli Penal Law 5737-1977 or any other applicable anti-bribery or anti-corruption law or regulation. The Company and its subsidiaries have instituted and maintain policies and procedures designed to ensure continued compliance with the FCPA, Bribery Act 2010 and all other applicable anti-corruption an anti-bribery statutes or regulations;

(z) The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with the requirements of applicable anti-money laundering laws, including, but not limited to, the Bank Secrecy Act of 1970, as amended by the USA PATRIOT ACT of 2001, and the rules and regulations promulgated thereunder, financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, and the anti-money laundering laws of the various jurisdictions in which the Company and its subsidiaries conduct business (collectively, the “Money Laundering Laws”) and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened;

(aa) None of the Company or any of its subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company or any of its subsidiaries is: (i) currently the subject or the target of any sanctions administered or enforced by the U.S. Government, including, without limitation, the Office of Foreign Assets Control of the U.S. Treasury Department, the U.S. Department of State and including, without limitations, the designation as a “Specially designated national” or “blocked person,” the European Union, Her Majesty’s Treasury, the United Nations Security Council or other relevant sanctions authority (collectively, “Sanctions”); or (ii) located, organized or resident in a country or territory that is the subject or target of Sanctions (including, without limitation, Cuba, Iran, North Korea, Syria and Crimea); and the Company will not directly or indirectly use the proceeds of the offering of the Shares hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, (a) to fund or facilitate any activities of or business with any person, or in any country or territory, that, at the time of such funding, is the subject or the target of Sanctions or (b) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as an underwriter, advisor, investor or otherwise) of Sanctions. The Company and its subsidiaries have not knowingly engaged in for the past five years, and are not now knowingly engaged in, , any dealings or transactions with any individual or entity, or in any country or territory, that at the time of the dealing or transaction, is or was the subject or target of Sanctions;

(bb) The financial statements included in the Registration Statement, the Pricing Prospectus and the Prospectus, together with the related schedules and notes, present fairly, in all material respects, the financial position of the Company and its subsidiaries at the dates indicated and the statement of operations, shareholders’ equity and cash flows of the Company and its subsidiaries for the periods specified; said financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”) applied on a consistent basis throughout the periods involved. The supporting schedules, if any, present fairly in accordance with GAAP the information required to be stated therein. The selected financial data and the summary financial information

included in the Registration Statement, the Pricing Prospectus and the Prospectus present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included therein, except as disclosed therein. Except as included therein, no historical or pro forma financial statements or supporting schedules are required to be included in the Registration Statement, the Pricing Prospectus or the Prospectus under the Act or the rules and regulations promulgated thereunder. All disclosures contained in the Registration Statement, the Pricing Prospectus and the Prospectus regarding “non-GAAP financial measures” (as such term is defined by the rules and regulations of the Commission) comply, in all material respects, with Regulation G of the Exchange Act and Item 10 of Regulation S-K of the Act, to the extent applicable;

(cc) From the time of initial confidential submission of a registration statement relating to the Shares with the Commission (or, if earlier, the first date on which a Section 5(d) Communication was made) through the date hereof, the Company has been and is an “emerging growth company” as defined in Section 2(a)(19) of the Act (an “Emerging Growth Company”);

(dd) The Company owns or has valid, binding and enforceable licenses or other rights under the patents and patent applications, copyrights, trademarks, trademark registrations, service marks, service mark registrations, trade names, service names, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures) and other intellectual property (collectively, “Intellectual Property”) that is necessary for, or used in, the business of the Company as currently conducted and currently proposed to be conducted in the manner described in the Registration Statement, the Pricing Prospectus and Prospectus (collectively, the “Company Intellectual Property”). To the Company’s knowledge, none of the patents and patent applications contained in the Company Intellectual Property, are invalid or unenforceable, in whole or in part, and the Company is unaware of any facts that would form a reasonable basis for such a determination. None of the rights within the Company Intellectual Property, other than patents and patent applications, are invalid or unenforceable, in whole or in part, and the Company is unaware of any facts that would form a reasonable basis for such a determination. In each case in which the Company has acquired ownership (or claimed or purported to acquire ownership) of any Company Intellectual Property rights from any third party (including any employee, officer, director, consultant or contractor of the Company), the Company has obtained a valid and enforceable assignment sufficient to irrevocably transfer ownership of and all rights with respect to such Company Intellectual Property rights to the Company. All assignments that are or may be required to be filed or recorded in order to cause such assignment to be valid or effective against *bona fide* purchasers without notice of such assignment have been duly executed and filed or recorded with the USPTO or the U.S. Copyright Office, as applicable, and any applicable Governmental Authority (as defined below) elsewhere. The Company is not obligated to pay a material royalty, grant a license or provide other material consideration to any third party in connection with the Company Intellectual Property. To the Company’s knowledge, there are no unreleased liens or security interests which have been filed against any of the Company Intellectual Property. There is no pending or, to the Company’s knowledge, threatened action, suit, proceeding or claim by a third party (i) challenging the Company’s rights in or to any Company Intellectual Property, including with respect to ownership and inventorship; (ii) challenging the validity, enforceability or scope of any Company Intellectual Property; or (iii) asserting that the Company has infringed, misappropriated or otherwise violated, or would, upon the commercialization of any products described in the Pricing Prospectus as under development, infringe, misappropriate or otherwise violate, any Intellectual Property rights of others; and, in each of the foregoing cases, the Company (a) is unaware of any facts that would form a reasonable basis for any such action, suit, proceeding or claim and (b) has not received any notice alleging any such claim or conflict. To the knowledge of the Company, there is no unauthorized use or

disclosure, infringement or misappropriation or other violation of any Company Intellectual Property rights by any third party. To the knowledge of the Company, (1) neither the commercial development nor the manufacture, sale and/or distribution of any of the products, proposed products or processes of the Company, as described in the Registration Statement, the Pricing Prospectus and Prospectus, infringes, misappropriates or otherwise violates, or would, upon the commercialization of such products or proposed products, infringe, misappropriate or otherwise violate, any Intellectual Property rights of any third party; (2) the Company can acquire, on reasonable terms, any licenses under third-party Intellectual Property that may be necessary for or used in its business, as currently conducted or as proposed to be conducted, as described in the Registration Statement, the Pricing Prospectus and Prospectus; (3) no third party has any ownership right in or to any Company Intellectual Property that is owned by the Company; (4) no third party has any ownership right in or to any Company Intellectual Property, in any field of use, other than the respective licensor to the Company of such Company Intellectual Property; (5) the Company has the sole and exclusive right to (x) grant licenses to third parties under the Company Intellectual Property and (y) bring a claim or suit against any party for past, present or future infringement of Company Intellectual Property; (6) no employee, officer, director, contractor or consultant of the Company is in or has ever been in violation, in any material respect, of any term of any employment contract, patent disclosure agreement, invention assignment agreement, non-competition agreement, non-solicitation agreement, non-disclosure agreement or other restrictive covenant to or with a former employer where the basis of such violation relates to such person's employment or engagement, or to actions undertaken by such person while employed or engaged, with the Company; and (7) each current and former employee, officer, director, contractor and consultant of the Company who was involved in, or who contributed to, the creation or development of any Company Intellectual Property (A) has executed a customary, valid and effective inventions assignment and confidentiality agreement with the Company, on or about the respective date of hire, and signed copies of such agreements have been made available to the Underwriter and its counsel; and (B) has assigned or agreed to assign to the Company any and all Intellectual Property rights he or she may possess or may have possessed that are related to the Company's business as described in the Registration Statement, the Pricing Prospectus and Prospectus, which agreement also waives (to the extent that such waiver is permissible under law) all non-assignable rights (including moral rights) to such Intellectual Property rights.

(ee) (i) No employee, officer, director, consultant or contractor has reserved any rights in the Company Intellectual Property rights, in whole or in part. The Company does not owe any compensation or remuneration to a current or former employee, officer, director, consultant or contractor in relation to any Company Intellectual Property, including with respect to any patent that is based on an invention of, or copyright that is based on a work of, any current or former employee, officer, director, consultant or contractor of the Company which is included in the Company Intellectual Property rights. All agreements (including employment agreements) between any current or former employee, officer, director, consultant or contractor who has been involved in the conception, design, development, implementation, improvement or testing (alone or with others) of the Company product or Company Intellectual Property rights, and the Company includes an express waiver of such employee's, officer's, director's, consultant's or contractor's right to compensation in connection with service inventions under Section 134 of the Israeli Patent Law 1967, as amended, and any other similar provision under law in the relevant jurisdiction. All current and former employees, consultants and contractors of the Company that have contributed, in any way, to the conception, design, development, implementation, improvement, testing or have otherwise contributed to bringing any Company product or Company Intellectual Property rights to market have executed any and all necessary agreements that would waive, to the extent legally permissible, any right or interest in and

to any royalty or other remuneration provided by local custom, administrative regulation, governmental statute or otherwise (including, with respect to Israeli employees under Section 134 of the Israeli Patent Law 1967, as amended, and any other applicable law).

(ii) The Company takes commercially reasonable measures to maintain and protect each material item of Company Intellectual Property and to protect the confidentiality of its trade secrets and other material proprietary information that the Company intends to maintain as trade secrets or confidential information.

(iii) To the Company's knowledge, no Governmental Authority, granting agency, university, college, other academic institution or research center has any ownership or other rights in the Company Intellectual Property. No current or former employee, officer, consultant or contractor of the Company who was involved in, or who contributed to, the conception, creation, design, or development of any of the Company Intellectual Property, has performed services for or was an employee of any hospital, university, college, other educational institution, Governmental Authority, granting agency, or research center while such employee, officer, consultant or contractor was also performing services for the Company or during the time period in which such employee, officer, consultant or contractor invented, created or developed any Company Intellectual Property.

(iv) Except as described in the Registration Statement, the Pricing Prospectus and the Prospectus, none of the Company products or any products or Company Intellectual Property rights developed or under development by the Company, directly or indirectly, is based upon, uses or incorporates any Intellectual Property rights that were developed using funding provided by the IIA or any other Governmental Authority, nor does the IIA or any Governmental Authority have any ownership interest in or right to restrict the sale, licensing, distribution or transfer of any Company Intellectual Property rights or Company products;

(ff) All patents and patent applications owned by or licensed to the Company or under which the Company has rights have, to the knowledge of the Company, been duly and properly filed and maintained; the parties prosecuting such applications have complied with their duty of candor and disclosure to the USPTO and/or any other relevant patent office in connection with such applications; and the Company is not aware of any facts required to be disclosed to the USPTO and/or any other relevant patent office that were not disclosed to the USPTO and/or any other relevant patent office and which would preclude the grant of a patent in connection with any such application or would reasonably be expected to form the basis of a finding of invalidity with respect to any patents that have issued with respect to such applications;

(gg) The pre-clinical studies and clinical trials conducted by, on behalf of or sponsored by the Company or in which the Company's product candidates participated were and, if still pending are, being conducted in all material respects in accordance with the experimental protocols, procedures and controls established for each study and with all applicable local, state and federal laws, rules and regulations, including, without limitation, the Federal Food, Drug and Cosmetic Act and its applicable implementing regulations at 21 C.F.R. Parts 50, 54, 56, 58, and 312 and the Guidelines for Clinical Trials in Human Subjects implemented pursuant to the Israeli Public Health Regulations (Clinical Trials in Human Subjects); the descriptions of the results of such studies contained in any Pricing Prospectus or Prospectus do not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; except to the extent disclosed in any Pricing Prospectus or Prospectus, the Company is not aware of any studies, the results of which are inconsistent with or otherwise call into question the study results described or referred to in any Pricing Prospectus or the Prospectus; the Company and its subsidiaries have made all such filings and obtained all such

approvals as may be required for the conduct of the studies by the Israeli Ministry of Health, the Food and Drug Administration of the U.S. Department of Health and Human Services or any committee thereof or from any other U.S., foreign government or drug or medical device regulatory agency, or health care facility Institutional Review Board (collectively, the "Regulatory Agencies"), except where the failure to make such filing or obtain such approval would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect; no investigational new drug application filed by or on behalf of the Company with the FDA has been terminated or suspended by the FDA; neither the Company nor any of its subsidiaries has received any notice of, or correspondence from, any Regulatory Agency that it has commenced, or, to the knowledge of the Company, threatened to initiate, any action to place a hold order on, or otherwise terminate, delay or suspend, any proposed or ongoing pre-clinical or clinical investigation conducted or proposed to be conducted by or on behalf of the Company;

(hh) The Company has operated and currently is in compliance with all applicable Health Care Laws (defined herein), including, without limitation, the rules and regulations of the U.S. Food and Drug Administration ("FDA"), the U.S. Department of Health and Human Services Office of Inspector General, the Centers for Medicare & Medicaid Services, the Office for Civil Rights, the Department of Justice, the Israeli Ministry of Health, or any other governmental agency or body having jurisdiction over the Company or any of its properties, except for such non-compliance as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and has not engaged in activities which are, as applicable, cause for false claims liability, civil penalties, or mandatory or permissive exclusion from Medicare, Medicaid, or any other state or federal health care program, except for such activities as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. For purposes of this Agreement, "Health Care Laws" shall mean the federal Anti-kickback Statute (42 U.S.C. § 1320a-7b(b)), the Physician Payment Sunshine Act (42 U.S.C. § 1320a-7h), the civil False Claims Act (31 U.S.C. §§ 3729 et seq.), the criminal False Claims Act (42 U.S.C. § 1320a-7b(a)), all criminal laws relating to health care fraud and abuse, including but not limited to 18 U.S.C. Sections 286 and 287, and the health care fraud criminal provisions under the Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. §§ 1320d et seq.) ("HIPAA"), the exclusion laws (42 U.S.C. § 1320a-7), the civil monetary penalties law (42 U.S.C. § 1320a-7a), HIPAA, as amended by the Health Information Technology for Economic and Social Health Act (42 U.S.C. §§ 17921 et seq.), the Federal Food, Drug, and Cosmetic Act (21 U.S.C. §§ 301 et seq.), Medicare (Title XVIII of the Social Security Act), or Medicaid (Title XIX of the Social Security Act), or the rules and regulations promulgated in connection with the Health Care Laws, or Israeli or other foreign governmental or regulatory body or authority (each a "Governmental Authority"). The Company has not received any FDA Form 483, notice of adverse finding, warning letter, untitled letter or other correspondence or notice from the FDA or any other Governmental Authority alleging or asserting noncompliance with any Laws applicable to the Company. Additionally, the Company is not a party to nor has any ongoing reporting obligations pursuant to any corporate integrity agreements, deferred prosecution agreements, monitoring agreements, consent decrees, settlement orders, plans of correction or similar agreements with or imposed by any Governmental Authority. Neither the Company, nor, to the knowledge of the Company, any of its respective employees, officers or directors has been excluded, suspended or debarred from participation in any U.S. federal health care program or human clinical research or, is subject to a governmental inquiry, investigation, proceeding, or other similar action that would reasonably be expected to result in debarment, suspension, or exclusion;

(ii) The Company possesses all such permits, certificates, licenses, approvals, clearances, exemptions, registrations, consents and other authorizations (collectively, "Permits") issued by the

appropriate Governmental Authorities, including without limitation, all such Permits required by Israeli authorities and by the FDA or any component thereof and/or by any other U.S., state, local or foreign government or drug regulatory agency, necessary to conduct the businesses now operated by it, except where the failure to possess such Permit would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; the Company is in compliance with the terms and conditions of all such Permits, except where the failure to comply would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and all of the Permits are valid and in full force and effect; the Company has fulfilled and performed all of its obligations with respect to the Permits, except where such non-fulfillment and non-performance would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and, to the Company's knowledge, no event has occurred which allows, or after notice or lapse of time would allow, revocation or termination thereof or results in any other impairment of the rights of the holder of any Permit, except where such impairment would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; the Company has not received notice of proceedings relating to the revocation or modification of any such Permits, except where such proceeding would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and to the knowledge of the Company, no Governmental Authority granting any such Permit has taken any action to limit, suspend or revoke the same in any respect, except where such action would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(jj) Each of the Company and its subsidiaries have filed all federal, state, local and foreign income and franchise tax returns required to be filed through the date hereof, subject to permitted extensions, have paid all such taxes due (except where the failure to file or pay would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect), and no material tax deficiency has been determined adversely to the Company;

(kk) Each of the Company and its subsidiaries have insurance covering its properties, operations, personnel and businesses, including, but not limited to, business interruption insurance, policies covering real and personal property owned or leased by the Company and its subsidiaries against theft, damage, destruction, acts of vandalism and earthquakes and policies covering the Company and its subsidiaries for clinical trial liability claims, which insurance insures against such risks and is in such amounts as are, in the Company's reasonable judgment, commercially reasonable for the conduct of its business; and the Company has not (i) received written notice from any insurer or agent of such insurer that capital improvements or other expenditures are required or necessary to be made in order to continue such insurance or (ii) any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business;

(ll) The Company (i) is in compliance with all, and has not violated any, laws, regulations, ordinances, rules, orders, judgments, decrees, permits or other legal requirements of any Governmental Authority, including without limitation any international, national, state, provincial, regional, or local authority, relating to the protection of human health or safety, the environment, or natural resources, or to hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws") applicable to the Company, which compliance includes, without limitation, obtaining, maintaining and complying with all permits and authorizations and approvals required by Environmental Laws to conduct its business, and (ii) has not received written notice of any actual or alleged violation of Environmental Laws, or of any potential liability for or other obligation concerning the presence, disposal or release of hazardous or toxic substances or wastes, pollutants or contaminants, except in the case of (i) and (ii) where the failure to comply or the potential liability or

obligation would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Except as described in the Registration Statement, the Pricing Prospectus and the Prospectus, (A) there are no proceedings that are pending against the Company under Environmental Laws in which a Governmental Authority is also a party and (B) the Company is not aware of any non-compliance with Environmental Laws, or liabilities under Environmental Laws, which would reasonably be expected to have a Material Adverse Effect;

(mm) Except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect , (i) each “employee benefit plan” within the meaning of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), whether or not subject to ERISA, for which the Company or any member of its “Controlled Group” (defined as any organization which is a member of a controlled group of corporations within the meaning of Section 414 of the Internal Revenue Code of 1986, as amended (the “Code”)) would have any liability (each a “Plan”) has been maintained in compliance with its terms and with the requirements of all applicable statutes, rules and regulations including ERISA and the Code; (ii) neither the Company nor any member of its Controlled Group has incurred, or reasonably expects to incur, any liability under Title IV of ERISA in respect of a Plan (including a “multiemployer plan,” within the meaning of Section 4001(c)(3) of ERISA); (iii) each Plan that is intended to be qualified under Section 401(a) of the Code is so qualified and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification; (iv) there is no pending audit or investigation by the Internal Revenue Service, the U.S. Department of Labor, the Pension Benefit Guaranty Corporation or any other governmental agency with respect to any Plan that would reasonably be expected to result in material liability to the Company; and (iv) the Company has not incurred any liability for any prohibited transaction, the failure of any Plan to meet the minimum funding standards required by law, including by ERISA or the Code, or any complete or partial withdrawal liability with respect to any Plan;

(nn) No labor dispute with the employees of the Company or, to the knowledge of the Company, is threatened, and the Company is not aware of any existing or threatened labor disturbance by the employees of any of its principal suppliers, manufacturers, customers or contractors that, individually or in the aggregate, would reasonably be expected to result in a material liability to the Company;

(oo) Neither the Company nor any of its subsidiaries has sent or received any communication regarding termination of, or intent not to renew, any of the contracts or agreements referred to or described in any preliminary prospectus, the Prospectus or any free writing prospectus, or referred to or described in, or filed as an exhibit to, the Registration Statement, and no such termination or non-renewal has been threatened by the Company or any of its subsidiaries or, to the Company’s knowledge, any other party to any such contract or agreement, which threat of termination or non-renewal has not been rescinded as of the date hereof;

(pp) The Company has not taken, directly or indirectly, any action designed to or that would reasonably be expected to cause or result in stabilization or manipulation of the price of the Shares or of any “reference security” (as defined in Rule 100 of Regulation M under the Exchange Act (“Regulation M”)) with respect to the Shares, whether to facilitate the sale or resale of the Shares or otherwise, and has taken no action which would directly or indirectly violate Regulation M; In addition, the Company has not engaged in any form of solicitation, advertising or other action constituting an offer or a sale under the Israeli Securities Law and the regulations promulgated thereunder in

connection with the transactions contemplated hereby, which would require the Company to publish a prospectus in the State of Israel under the laws of the State of Israel;

(qq) The Company has taken all necessary actions to ensure that, upon the effectiveness of the Registration Statement, it will be in compliance in all material respects with all provisions of the Sarbanes-Oxley Act of 2002 and all rules and regulations promulgated thereunder or implementing the provisions thereof (collectively, the “Sarbanes-Oxley Act”) that are then in effect and with which the Company is required to comply as of the effectiveness of the Registration Statement, and is or will be taking steps to ensure that it will be in compliance in all material respects with other provisions of the Sarbanes-Oxley Act not currently in effect, upon the effectiveness of such provisions, or which will become applicable to the Company at all times after the effectiveness of the Registration Statement;

(tr) There are no business relationships or related-party transactions involving the Company or any other person required to be described in the Registration Statement, the Pricing Prospectus or the Prospectus that have not been described as required;

(ss) Except pursuant to this Agreement, there is no broker, finder or other party that is entitled to receive from the Company any brokerage or finder’s fee or other fee or commission as a result of any transactions contemplated by this Agreement;

(tt) The Company has the power to submit, and pursuant to this Agreement, has legally, validly, effectively and irrevocably submitted, to the personal jurisdiction of each United States federal court and New York state court located in the Borough of Manhattan, in the City of New York, New York, U.S.A. (each, a “New York Court”), and the Company has the power to designate, appoint and authorize, and pursuant to this Agreement, has legally, validly, effectively and irrevocably designated, appointed and authorized an agent for service of process in any action arising out of or relating to this Agreement or the Shares in any New York Court, and service of process effected on such authorized agent will be effective to confer valid personal jurisdiction over the Company;

(uu) Except as provided by laws or statutes generally applicable to transactions of the type described in this Agreement, neither the Company nor any of its respective properties, assets or revenues has any right of immunity under the laws of New York or United States law, from any legal action, suit or proceeding, from the giving of any relief in any such legal action, suit or proceeding, from set-off or counterclaim, from the jurisdiction of any New York or United States federal court, from service of process, attachment upon or prior judgment, or attachment in aid of execution of judgment, or from execution of a judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of a judgment, in any such court, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with this Agreement. To the extent that the Company or any of its respective properties, assets or revenues may have or may hereafter become entitled to any such right of immunity in any such court in which proceedings may at any time be commenced, the Company waives or will waive such right to the extent permitted by law and has consented to such relief and enforcement as provided in this Agreement;

(vv) Each financial or operational projection or other “forward-looking statement” (as defined by Section 27A of the Securities Act or Section 21E of the Exchange Act) contained in the Registration Statement, the Pricing Prospectus or the Prospectus (i) was so included by the Company in good faith and with reasonable basis after due consideration by the Company of the underlying assumptions, estimates and other applicable facts and circumstances and (ii) is accompanied by

meaningful cautionary statements identifying those factors that would reasonably be expected to cause actual results to differ materially from those in such forward-looking statement. No such statement was made with the knowledge of an executive officer or director of the Company that it was false or misleading;

(ww) The Company is in material compliance with all conditions and requirements stipulated (A) by any instruments of approval, granted to it by the IIA, or the Law for Encouragement of Industrial Research and Development, 5744-1984 (the "R&D Law"), with respect to any research and development grants or benefits given to the Company by the IIA and (B) with respect to any instrument of approval granted to it by the Investment Center of the Ministry of Industry, Trade and Labor of the State of Israel with respect to grants or benefits given to the Company. The Company has not received any notice denying, revoking or modifying any beneficial tax status with respect to any of the Company's facilities or operations or with respect to any grants or benefits from the IIA or the Investment Center (including, in all such cases, notice of proceedings or investigations related thereto). All information supplied by the Company with respect to the applications or notifications relating to such status, grants and benefits from the IIA and/or the Investment Center was true, correct and complete in all material respects when supplied to the appropriate authorities;

(xx) The Company has validly appointed PolyPid Inc., The Atrium at 47 Maple Street, Suite 302A, Summit, NJ 07901, as its authorized agent for service of process in the United States;

(yy) Neither the Company nor any of its properties or assets has any immunity from the jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution or otherwise) under the laws of the State of Israel;

(zz) No transaction, stamp or other issuance or transfer taxes or similar taxes or duties ("Stamp Taxes") are payable in Israel, and assuming that the Underwriters are not otherwise subject to taxation in Israel due to Israeli tax residence or the existence of a permanent establishment in Israel, no capital gain, income, transfer, withholding or other tax or duty is payable in the State of Israel by or on behalf of the Underwriters to any taxing authority thereof or therein in connection with (i) the issuance, sale and delivery of the Shares by the Company; (ii) the purchase from the Company, and the initial sale and delivery by the Underwriters of the Shares to purchasers thereof; (iii) the holding or transfer of the Shares; or (iv) the execution and delivery of, and the consummation of the transactions contemplated by this Agreement or any other document to be furnished hereunder;

(aaa) The Company and/or its subsidiaries are in material compliance with the Israeli Securities Law. Without derogating from the foregoing, (i) the Company has not engaged in any form of solicitation, advertising or any other action constituting an offer of securities under the Israeli Securities Law in connection with the transactions contemplated hereby which would require the Company to publish a prospectus in the State of Israel under the laws of the State of Israel; and (ii) the Company did not, during each of (i) the 12-month period preceding the date on which Amendment No. 2 to the Registration Statement was filed with the Commission, and (ii) the 12-month period preceding the date hereof, offer or sell securities of the Company to any offerees in Israel that would be counted towards the number of offerees to whom offers or sales of securities may have been made pursuant to the provisions of Section 15A(a)(1) of the Israeli Securities Law and therefore Shares may be offered and sold to up to 35 Non-Accredited Israeli Investors (as defined in Section 6(e) below). All corporate approvals on the part of the Company, including under Chapter 5 of Part VI

of the Israeli Companies Law 5759-1999, for the offer or sale of offered shares and the transactions contemplated hereby have been obtained;

(bbb) No proceedings have been instituted in the State of Israel for the dissolution of the Company;

(ccc) All obligations of the Company to provide statutory severance pay to all its currently engaged employees in Israel (“Israeli Employees”) are in accordance with Section 14 of the Israeli Severance Pay Law (5723-1963) (the “Severance Pay Law”) and are fully funded or are accrued on the financial statements, and all such employees have been subject to the provisions of Section 14 of the Severance Pay Law with respect to their entire salary, as defined under the Severance Pay Law from the date of commencement of their employment with the Company, and the Company has been in full compliance with the technical and substantive requirements for a Section 14 Arrangement with respect to severance pay with respect to 100% of such salary for which severance pay is due under the Severance Pay Law; and all amounts that the Company is required by contract or applicable law either (A) to deduct from Israeli Employees’ salaries or to transfer to such Israeli Employees’ pension or provident, life insurance, incapacity insurance, advance study fund or other similar funds or (B) to withhold from their Israeli Employees’ salaries and benefits and to pay to any Israeli Governmental Authority as required by applicable Israeli tax Law, have, in each case, been duly deducted, transferred, withheld and paid, and the Company has no outstanding obligation to make any such deduction, transfer, withholding or payment;

(ddd) All payments (including the issuance of Shares pursuant to this Agreement) to be made by or on behalf of the Company under this Agreement and, except as disclosed in the Registration Statement, the Pricing Prospectus and the Prospectus, all dividends and other distributions declared and payable on the Shares may, under the current laws and regulations of Israel, be paid in United States dollars that may be converted into another currency and freely transferred out of Israel, and all payments referred to in this Section 1.(ddd) will not be subject to withholding or other taxes under the current laws and regulations of Israel (except with regard to dividends and other distributions declared and payable on the Shares), and are otherwise payable free and clear of any other tax, withholding or deduction in Israel and without the necessity of obtaining any governmental authorization in Israel;

(eee) The Company and its subsidiaries’ information technology assets and equipment, computers, systems, networks, hardware, software, websites, applications, and databases (collectively, “IT Systems”) are adequate for, and Company and its subsidiaries have taken all commercially reasonable technical and organizational measures necessary to protect information technology and Personal Data (as defined below) used in connection with, the operation of the business of the Company and its subsidiaries as currently conducted, free and clear of all material bugs, errors, defects, Trojan horses, time bombs, malware and other corruptants. The Company and its subsidiaries have implemented and maintained commercially reasonable controls, policies, procedures, and safeguards to maintain and protect their confidential information and the integrity, continuous operation, redundancy and security of all IT Systems and data (including “personal data” as defined by the EU General Data Protection Regulations (“GDPR”) (EU 2016 679) and any personal, personally identifiable, household, sensitive, confidential or regulated data (“Personal Data”)) used in connection with their businesses, except to the extent that a failure to do so could not reasonably be expected to have a Material Adverse Effect, and, there have been no breaches,

violations, outages or unauthorized uses of or accesses to any IT System or Personal Data used in connection with the operation of the Company's and its subsidiaries' businesses, except where such breach, violation, outage or unauthorized use would not reasonably be expected to have a Material Adverse Effect. The Company and its subsidiaries are presently in material compliance with all applicable laws or statutes and all judgments, orders, rules and regulations of any court or arbitrator or governmental or regulatory authority, internal policies and contractual obligations relating to the privacy and security of IT Systems and Personal Data and to the protection of such IT Systems and Personal Data from unauthorized use, access, misappropriation or modification; and

(fff) The Company and each of its subsidiaries are, and at all prior times were, in material compliance with all applicable data privacy and security laws, statutes, judgements, orders, rules and regulations of any court or arbitrator or any other governmental or regulatory authority and all applicable laws regarding the collection, use, transfer, export, storage, protection, disposal or disclosure by the Company and its subsidiaries of Personal Data collected from or provided by third parties. (collectively, the "Privacy Laws"). The Company and its subsidiaries have in place, comply with, and take appropriate steps reasonably designed to (i) ensure compliance with its privacy policies, all third-party obligations and industry standards regarding Personal Data; and (ii) reasonably protect the security and confidentiality of all Personal Data (collectively, the "Policies"). At all times since inception, the Company has provided notice of its privacy policy on its websites, which provides accurate and sufficient notice of Company's then-current privacy practices relating to its subject matter and such privacy policies do not contain any material omissions of the Company's then-current privacy practices. None of such disclosures made or contained in the privacy policies have been inaccurate, misleading, deceptive or in violation of any Privacy Laws or Policies in any material respect. To the knowledge of the Company, the execution, delivery and performance of this Agreement or any other agreement referred to in this Agreement will not result in a breach of violation of any Privacy Laws or Policies. Neither the Company nor any subsidiary: has received notice of any actual or potential liability under or relating to, or actual or potential violation of, any of the Privacy Laws and is unaware of any other facts that, individually or in the aggregate, would reasonably indicate non-compliance with any Privacy Laws or Policies. To the Company's knowledge, there is no action, suit or proceeding by or before any court or governmental agency, authority or body pending or threatened alleging non-compliance with Privacy Laws or Policies.

2. Subject to the terms and conditions herein set forth, (a) the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at a purchase price per share of \$[·], the number of Firm Shares set forth opposite the name of such Underwriter in Schedule I hereto and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at the purchase price per share set forth in clause (a) of this Section 2 (provided that the purchase price per Optional Share shall be reduced by an amount per share equal to any dividends or distributions declared by the Company and payable on the Firm Shares but not payable on the Optional Shares), that portion of the number of Optional Shares as to which such election shall have been exercised (to be adjusted by you so as to eliminate fractional shares) determined by multiplying such number of Optional Shares by a fraction, the numerator of which is the maximum number of Optional Shares which such

Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of Optional Shares that all of the Underwriters are entitled to purchase hereunder.

The Company hereby grants to the Underwriters the right to purchase at their election up to [·] Optional Shares, at the purchase price per share set forth in the paragraph above, for the sole purpose of covering sales of shares in excess of the number of Firm Shares, provided that the purchase price per Optional Share shall be reduced by an amount per share equal to any dividends or distributions declared by the Company and payable on the Firm Shares but not payable on the Optional Shares. Any such election to purchase Optional Shares may be exercised only by written notice from you to the Company, given within a period of 30 calendar days after the date of this Agreement, setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by you but in no event earlier than the First Time of Delivery (as defined in Section 4 hereof) or, unless you and the Company otherwise agree in writing, earlier than two or later than ten business days after the date of such notice.

3. Upon the authorization by you of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms and conditions set forth in the Pricing Prospectus and the Prospectus.

4. (a) The Shares to be purchased by each Underwriter hereunder, in definitive or book-entry form, and in such authorized denominations and registered in such names as the Representative may request upon at least forty-eight hours' prior notice to the Company shall be delivered by or on behalf of the Company to the Representative, through the facilities of the Depository Trust Company ("DTC"), for the account of such Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of Federal (same-day) funds to the account specified by the Company to the Representative at least forty-eight hours in advance. The Company will cause the certificates, if any, representing the Shares to be made available for checking and packaging at least twenty-four hours prior to the Time of Delivery (as defined below) with respect thereto at the office of DTC or its designated custodian (the "Designated Office"). The time and date of such delivery and payment shall be, with respect to the Firm Shares, 9:30 a.m., New York City time, on [·], 2020 or such other time and date as the Representative and the Company may agree upon in writing, and, with respect to the Optional Shares, 9:30 a.m., New York time, on the date specified by the Representative in the written notice given by the Representative of the Underwriters' election to purchase such Optional Shares, or such other time and date as the Representative and the Company may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the "First Time of Delivery", such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the "Second Time of Delivery", and each such time and date for delivery is herein called a "Time of Delivery".

(b) The documents to be delivered at each Time of Delivery by or on behalf of the parties hereto pursuant to Section 8 hereof, including the cross receipt for the Shares and any additional documents requested by the Underwriters pursuant to Section 8(m) hereof, will be delivered at the offices of Latham & Watkins LLP, 885 Third Avenue, New York, New York 10022 (the "Closing Location"), and the Shares will be delivered at the Designated Office, all at such Time of Delivery. A meeting will be held at the Closing Location at [·], New York City time, on the New York Business Day next preceding such Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Section 4, "New York Business Day" shall mean each Monday, Tuesday,

Wednesday, Thursday and Friday which is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close.

5. The Company agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form reasonably approved by you and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement, or, if applicable, such earlier time as may be required by Rule 430A(a)(3) under the Act; to make no further amendment or any supplement to the Registration Statement or the Prospectus prior to the last Time of Delivery which shall be reasonably disapproved by you promptly after reasonable notice thereof; to advise you, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any amendment or supplement to the Prospectus has been filed and to furnish you with copies thereof; to file promptly all material required to be filed by the Company with the Commission pursuant to Rule 433(d) under the Act; to advise you, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus in respect of the Shares, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus related to the Shares or suspending any such qualification, to promptly use its reasonable best efforts to obtain the withdrawal of such order;

(b) Promptly from time to time to take such action as you may reasonably request to endeavor to qualify the Shares for offering and sale under the securities laws of such jurisdictions as you may reasonably request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Shares, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation or a dealer in securities or to file a general consent to service of process in any jurisdiction or subject itself to taxation in any such jurisdiction in which it was not otherwise subject to taxation;

(c) Prior to 10:00 a.m., New York City time, on the New York Business Day next succeeding the date of this Agreement (or such later time as may be agreed to by the Company and you) and from time to time, to furnish the Underwriters with written and electronic copies of the Prospectus in New York City in such quantities as you may reasonably request, and, if the delivery of a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is required at any time prior to the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Shares and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is delivered, not misleading, or, if for any other reason it shall be necessary during such same period to amend or supplement the Prospectus in order to comply with the Act to notify you and upon your request to prepare and furnish without charge to each Underwriter and to any dealer in securities (whose name and address you shall furnish to the Company) as many written and electronic copies as you may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or

omission or effect such compliance; and in case any Underwriter is required to deliver a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) in connection with sales of any of the Shares at any time nine months or more after the time of issue of the Prospectus, upon your reasonable request but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many written and electronic copies as you may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(d) To make generally available to its security holders as soon as practicable (which may be satisfied by filing with the Commission's Electronic Data, Gathering, Analysis and Retrieval system ("EDGAR")), but in any event not later than sixteen months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including, at the option of the Company, Rule 158);

(e)(1) During the period beginning from the date hereof and continuing to and including the date 180 days after the date of the Prospectus (the "Lock-Up Period"), not to (i) offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, or file with the Commission a registration statement under the Act relating to, any securities of the Company that are substantially similar to the Shares, including but not limited to any options or warrants to purchase ordinary shares or any securities that are convertible into or exchangeable for, or that represent the right to receive, ordinary shares or any such substantially similar securities, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the ordinary shares or any such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of ordinary shares or such other securities, in cash or otherwise, without the prior written consent of the Representative; provided, however, that the foregoing restrictions shall not apply to (A) the Shares to be sold hereunder, (B) the issuance by the Company of ordinary shares upon the exercise (including net exercise) of an option expiring prior to the Lock-up Period or warrant, in each case, that is outstanding on the date of this Agreement, (C) the issuance by the Company of ordinary shares or other securities convertible into or exercisable for ordinary shares, in each case pursuant to the Company's equity compensation plans described in the Pricing Prospectus, (D) any ordinary shares or any security convertible into or exercisable for ordinary shares issued by the Company in connection with the acquisition by the Company or any of its subsidiaries of the securities, business, property or other assets of another person or entity or pursuant to an employee benefit plan assumed by the Company in connection with such acquisition, (E) any ordinary shares or any security convertible into or exercisable for ordinary shares issued by the Company in connection with a transaction with an unaffiliated third party that includes a bona fide commercial relationship (including joint ventures, marketing or distribution arrangements, collaboration agreements or intellectual property license agreements), (F) the filing of any registration statement on Form S-8 relating to any benefit plans or arrangements disclosed in the Pricing Prospectus or the Prospectus and the issuance of securities registered pursuant thereto, or (G) any grants of awards pursuant to equity incentive plans existing on the date of this Agreement and disclosed in the Pricing Prospectus; provided that in the case of clauses (D) or (E), the aggregate number of ordinary shares that the Company may sell or issue or agree to sell or issue pursuant to clauses (D) and (E) shall not exceed 5% of the total number of the ordinary shares issued and outstanding immediately following the completion of the transactions contemplated by this Agreement; provided further that in the case of clauses (B) and (C), the Company shall cause each recipient of such securities to execute and deliver to the Representative, on or prior to the issuance of such securities, a lock-up agreement with substantially the same terms

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as the lock-up letters referenced in Section 8(k) of this Agreement for the remainder of the Company Lock-Up Period, and enter stop transfer instructions with the Company's transfer agent and registrar on such securities, which the Company agrees it will not waive or amend without the prior written consent of the Representative, in its sole discretion;

(e)(2) If the Representative, in its sole discretion, agrees to release or waive the restrictions set forth in a lock-up letter described in Section 8(k) hereof for an officer or director of the Company and provide the Company with notice of the impending release or waiver at least three business days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver by a press release substantially in the form of Annex I hereto through a major news service at least two business days before the effective date of the release or waiver;

(f) During a period of three years from the effective date of the Registration Statement, to furnish to its shareholders as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, shareholders' equity and cash flows of the Company and its consolidated subsidiaries certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), to make available to its shareholders consolidated summary financial information of the Company and its subsidiaries for such quarter in reasonable detail; provided, however, that the requirements of this Section 5(f) shall be satisfied to the extent that such reports, statements, communications, financial statements or other documents are available on EDGAR;

(g) During a period of three years from the effective date of the Registration Statement, to furnish to you copies of all reports or other communications (financial or other) furnished to shareholders, and to deliver to you as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange on which any class of securities of the Company is listed; provided, however, that the requirements of this Section 5(g) shall be satisfied to the extent that such reports, statements, communications, financial statements or other documents are available on EDGAR;

(h) To use the net proceeds received by it from the sale of the Shares pursuant to this Agreement in the manner specified in the Registration Statement, the Pricing Prospectus, and Prospectus under the caption "Use of Proceeds";

(i) To use its reasonable best efforts to list, subject to notice of issuance, the Shares on Nasdaq;

(j) To file with the Commission such information on Form 20-F as may be required by Rule 463 under the Act;

(k) If the Company elects to rely upon Rule 462(b), the Company shall file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) by 10:00 P.M., Washington, D.C. time, on the date of this Agreement, and the Company shall at the time of filing either pay to the Commission the filing fee for the Rule 462(b) Registration Statement or give irrevocable instructions for the payment of such fee pursuant to Rule 111(b) under the Act;

(l) Upon request of any Underwriter, to furnish, or cause to be furnished, to such Underwriter an electronic version of the Company's trademarks, service marks and corporate logo for use on the website, if any, operated by such Underwriter for the purpose of facilitating the on-line offering

of the Shares (the "License"); provided, however, that the License shall be used solely for the purpose described above, is granted without any fee and may not be assigned or transferred; and

(m) To promptly notify you if the Company ceases to be an Emerging Growth Company at any time prior to the later of (i) completion of the distribution of the Shares within the meaning of the Act and (ii) the last Time of Delivery.

6. (a) The Company represents and agrees that, without the prior consent of the Representative, it has not made and will not make any offer relating to the Shares that would constitute a “free writing prospectus” as defined in Rule 405 under the Act; each Underwriter represents and agrees that, without the prior consent of the Company and the Representative, it has not made and will not make any offer relating to the Shares that would constitute a free writing prospectus required to be filed with the Commission; any such free writing prospectus the use of which has been consented to by the Company and the Representative is listed on Schedule II(a) or Schedule II(c) hereto;

(b) The Company has complied and will comply with the requirements of Rule 433 under the Act applicable to any Issuer Free Writing Prospectus, including timely filing with the Commission or retention where required and legending; and the Company represents that it has satisfied and agrees that it will satisfy the conditions under Rule 433 under the Act to avoid a requirement to file with the Commission any electronic road show;

(c) The Company agrees that if at any time following issuance of an Issuer Free Writing Prospectus or Section 5(d) Writing prepared or authorized by it any event occurred or occurs as a result of which such Issuer Free Writing Prospectus or Section 5(d) Writing prepared or authorized by it would conflict with the information in the Registration Statement, the Pricing Prospectus or the Prospectus or would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances then prevailing, not misleading, the Company will give prompt notice thereof to the Representative and, if reasonably requested by the Representative, will prepare and furnish without charge to each Underwriter an Issuer Free Writing Prospectus, Section 5(d) Writing or other document which will correct such conflict, statement or omission; provided, however, that this covenant shall not apply to any statements or omissions in an Issuer Free Writing Prospectus made in reliance upon and in conformity with the Underwriter Information;

(d) The Company represents and agrees that (i) it has not engaged in, or authorized any other person to engage in, any Section 5(d) Communications, other than Section 5(d) Communications with the prior consent of the Representative with entities that are qualified institutional buyers as defined in Rule 144A under the Act or institutions that are accredited investors as defined in Rule 501(a) under the Act; and (ii) it has not distributed, or authorized any other person to distribute, any Section 5(d) Writings, other than those distributed with the prior consent of the Representative that are listed on Schedule II(b) hereto; and the Company reconfirms that the Underwriters have been authorized to act on its behalf in engaging in Section 5(d) Communications;

(e) The Company acknowledges, understands and agrees that the Shares may be offered and sold in Israel only by the Underwriters and only to (i) such Israeli investors listed in the First Addendum to the Israeli Securities Law (the “Addendum”) and who submit written confirmation to the Underwriters and the Company that such investor (A) falls within the scope of the Addendum, is aware of the meaning of same and agrees to it and (B) is acquiring the Shares for investment for its own account or, if applicable, for investment for clients who are investors listed in the Addendum and in any event not as a nominee, market maker or agent and not with a view to, or for the resale in connection with, any distribution thereof (“Israeli Accredited Investors”) and (ii) such number of offerees in Israel who are not Israeli Accredited Investors (“Non-Accredited Israeli Investors”) that does not exceed 35. It is hereby acknowledged and agreed by the Company that any offer or sale of

Shares to Non-Accredited Israeli Investors by the Underwriters will be made in reliance on the representation and warranty of the Company in Section 1(zz) above;

(f) Each Underwriter acknowledges, agrees and undertakes that the Shares may be sold in Israel by the Underwriters only to (i) Israeli Accredited Investors and (ii) the number of Non-Accredited Israeli Investors referenced in Section 6(e) above. The Company acknowledges and agrees that the offer or sale Shares by the Underwriters to the number of Non-Accredited Israeli Investors referenced in Section 6(e) above will be made in reliance on the representation and warranty of the Company in Section 1(zz) above; and

(g) Each Underwriter represents and agrees that any Section 5(d) Communications undertaken by it were with entities that are qualified institutional buyers as defined in Rule 144A under the Act or institutions that are accredited investors as defined in Rule 501(a) under the Act.

7. The Company covenants and agrees with the several Underwriters that the Company will pay or cause to be paid the following: (i) the reasonable fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Shares under the Act and all other expenses in connection with the preparation, printing, reproduction and filing of the Registration Statement, any Preliminary Prospectus, any Section 5(d) Writing, any Issuer Free Writing Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any Agreement among Underwriters, this Agreement, the Blue Sky Memorandum, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Shares; (iii) all reasonable expenses in connection with the qualification of the Shares for offering and sale under state securities laws as provided in Section 5(b) hereof; (iv) up to a maximum of \$10,000 of fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky survey; (v) all fees and expenses in connection with listing the Shares on Nasdaq; (vi) the filing fees incident to, and up to a maximum of \$35,000 of reasonable fees and disbursements of counsel for the Underwriters in connection with, any required review by FINRA of the terms of the sale of the Shares; (vii) the cost of preparing share certificates; (viii) the cost and charges of any transfer agent or registrar; (ix) all Stamp Taxes in connection with the issuance, sale and delivery of the Shares by the Company to the Underwriters and the initial sale and delivery by the Underwriters to purchasers thereof; and (x) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section. It is understood, however, that, except as provided in this Section, and Sections 9 and 12 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel and any advertising expenses connected with any offers they may make and 50% of the costs of any private aircraft in respect of any investor presentations or road show in connection with the marketing of the Shares.

8. The obligations of the Underwriters hereunder, as to the Shares to be delivered at each Time of Delivery, shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Company herein are, at and as of the Applicable Time and such Time of Delivery, true and correct, the condition that the Company shall have performed all of its obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 5(a) hereof; all material required to be filed by the Company pursuant to Rule 433(d) under the Act shall have been filed with the

Commission within the applicable time period prescribed for such filing by Rule 433; if the Company has elected to rely upon Rule 462(b) under the Act, the Rule 462(b) Registration Statement shall have become effective by 10:00 P.M., Washington, D.C. time, on the date of this Agreement; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; no stop order suspending or preventing the use of the Registration Statement, the Pricing Prospectus, Prospectus or any Issuer Free Writing Prospectus shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to your reasonable satisfaction;

(b) Latham & Watkins LLP, U.S. counsel for the Underwriters, shall have furnished to you such written opinion or opinions, dated such Time of Delivery, in form and substance satisfactory to the Representative;

(c) Cooley LLP, U.S. counsel for the Company, shall have furnished to you their written opinion and negative assurance letter (each in substantially the form attached hereto as Annex II(A) as previously agreed to by the parties), dated such Time of Delivery, in form and substance reasonably satisfactory to the Representative;

(d) Yigal Arnon & Co., Israeli counsel for the Underwriters, shall have furnished to you their written opinion, dated such Time of Delivery, in form and substance satisfactory to the Representative;

(e) Sullivan & Worcester Israel (Har-Even & Co.), Israeli counsel for the Company, shall have furnished to you their written opinion (in substantially the form attached hereto as Annex II(B) as previously agreed to by the parties), dated such Time of Delivery, in form and substance reasonably satisfactory to the Representative;

(f) Greenberg Traurig, LLP, special counsel for the Company with respect to intellectual property matters, shall have furnished to you their written opinion (in substantially the form attached hereto as Annex II(C) as previously agreed to by the parties), dated such Time of Delivery, in form and substance reasonably satisfactory to the Representative;

(g) On the date of the Prospectus at a time prior to the execution of this Agreement, at 9:30 a.m., New York City time, on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Agreement and also at each Time of Delivery, Kost, Forer, Gabbay & Kasierer, a member firm of Ernst & Young LLP, shall have furnished to you a letter or letters, dated the respective dates of delivery thereof, in form and substance reasonably satisfactory to you;

(h) (i) The Company and its subsidiaries, taken as a whole, shall not have sustained since the date of the latest audited financial statements included in the Pricing Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Pricing Prospectus, and (ii) since the respective dates as of which information is given in the Pricing Prospectus there shall not have been any Material Adverse Effect, the effect of which, in any such case described in clause (i) or (ii), is in your judgment so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Pricing Prospectus and the Prospectus;

(i) On or after the Applicable Time there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on Nasdaq; (ii) a suspension or material limitation in trading in the Company's securities on Nasdaq; (iii) a general moratorium on commercial banking activities declared by either Federal or New York State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war or (v) the occurrence of any other calamity or crisis or any change in financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (iv) or (v) in your judgment makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Pricing Prospectus and the Prospectus;

(j) The Shares to be sold at such Time of Delivery shall have been duly listed, subject to official notice of issuance, on Nasdaq;

(k) The Company shall have obtained and delivered to the Underwriters executed copies of an agreement from the officers, directors, employees, shareholders and holders of any options, warrants or other rights to convert into or acquire share capital, whether in the form of ordinary shares, preferred shares or otherwise, of the Company, representing substantially all of the holders of securities of the Company, substantially to the effect set forth in Annex III hereto in form and substance satisfactory to you;

(l) The Company shall have complied with the provisions of Section 5(c) hereof with respect to the furnishing of prospectuses;

(m) FINRA shall not have raised any objection with respect to the fairness or reasonableness of the underwriting, or other arrangements of the transactions, contemplated hereby; and

(n) The Company shall have furnished or caused to be furnished to you at such Time of Delivery certificates of officers of the Company reasonably satisfactory to you as to the accuracy of the representations and warranties of the Company herein at and as of such Time of Delivery, as to the performance by the Company of all of its obligations hereunder to be performed at or prior to such Time of Delivery, as to the matters set forth in subsections (a) and (h) of this Section and as to such other matters as you may reasonably request.

9. (a) The Company will indemnify and hold harmless each Underwriter its directors, officers and each person, if any, who controls each Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act (each, an "Underwriter Indemnified Party") against any losses, claims, damages or liabilities, joint or several, to which such Underwriter Indemnified Party may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus, any "roadshow" as defined in Rule 433(h) under the Act (a "roadshow"), or any "issuer information" filed or required to be filed pursuant to Rule 433(d) under the Act or any Section 5(d) Writing prepared or authorized by the Company, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading (in light of the circumstances under which such statements were made in the case of any Preliminary Prospectus, the Pricing Prospectus, the Prospectus, or any

amendment or supplement thereto, any Issuer Free Writing Prospectus or any “issuer information” filed or required to be filed pursuant to Rule 433(d) under the Act), and will reimburse each Underwriter Indemnified Party for any documented legal or other expenses reasonably incurred by such Underwriter Indemnified Party in connection with investigating or defending any such action or claim as such expenses are incurred; *provided, however*, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, any amendment or supplement thereto, or any Issuer Free Writing Prospectus, roadshow or any Section 5(d) Writing, in reliance upon and in conformity with the Underwriter Information.

(b) Each Underwriter will indemnify and hold harmless the Company, its directors, officers and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act (each, a “Company Indemnified Party”) against any losses, claims, damages or liabilities to which such Company Indemnified Party may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, or any roadshow or any Section 5(d) Writing, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading (in light of the circumstances under which such statements were made in the case of any Preliminary Prospectus, the Pricing Prospectus, the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus or any “issuer information” filed or required to be filed pursuant to Rule 433(d) under the Act), in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, or any roadshow or any Section 5(d) Writing, in reliance upon and in conformity with the Underwriter Information; and will reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim as such expenses are incurred. As used in this Agreement with respect to an Underwriter and an applicable document, “Underwriter Information” shall mean the written information furnished to the Company by such Underwriter through the Representative expressly for use therein; it being understood and agreed upon that the only such information furnished by any Underwriter consists of the following information in the Prospectus furnished on behalf of each Underwriter: the concession figure appearing in the fourth paragraph under the caption “Underwriting”, and the information contained in the fourth paragraph under the caption “Underwriting”.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; provided that the failure to notify the indemnifying party shall not relieve it from any liability that it may have under the preceding paragraphs of this Section 9 except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided further that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than under the preceding paragraphs of this Section 9. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be

entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 9 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by *pro rata* allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any

damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company under this Section 9 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act and each broker-dealer affiliate of any Underwriter; and the obligations of the Underwriters under this Section 9 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company (including any person who, with his or her consent, is named in the Registration Statement as about to become a director of the Company) and to each person, if any, who controls the Company within the meaning of the Act.

10. (a) If any Underwriter shall default in its obligation to purchase the Shares which it has agreed to purchase hereunder at a Time of Delivery, you may in your discretion arrange for you or another party or other parties to purchase such Shares on the terms contained herein. If within thirty-six hours after such default by any Underwriter you do not arrange for the purchase of such Shares, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to you to purchase such Shares on such terms. In the event that, within the respective prescribed periods, you notify the Company that you have so arranged for the purchase of such Shares, or the Company notifies you that it has so arranged for the purchase of such Shares, you or the Company shall have the right to postpone such Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments or supplements to the Registration Statement or the Prospectus which in your opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Shares.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, then the Company shall have the right to require each non-defaulting Underwriter to purchase the number of ordinary shares which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased exceeds one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to

purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to the Second Time of Delivery, the obligations of the Underwriters to purchase and of the Company to sell the Optional Shares) shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 7 hereof and the indemnity and contribution agreements in Section 9 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

11. The respective indemnities, agreements, representations, warranties and other statements of the Company and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, or any officer or director or controlling person of the Company, and shall survive delivery of and payment for the Shares.

12. If this Agreement shall be terminated pursuant to Section 10 hereof, the Company shall not then be under any liability to any Underwriter except as provided in Sections 7 and 9 hereof; but, if for any other reason, any Shares are not delivered by or on behalf of the Company as provided herein, the Company will reimburse the Underwriters through you for all documented out-of-pocket expenses approved in writing by you, including documented fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Company shall then be under no further liability to any Underwriter except as provided in Sections 7 and 9 hereof; provided, that if this Agreement is terminated by the Underwriters due to the failure to meet the conditions in Section 8(i)(i),(iii),(iv) or (v), then the Company shall not be obligated to pay any such fees and expenses to the Underwriters.

13. In all dealings hereunder, you shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by you jointly or by the Representative.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to you as the Representative in care of Barclays Capital Inc., 745 Seventh Avenue, New York, New York 10019, Attention: Syndicate Registration (Fax: (646) 834-8133); and if to the Company shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Secretary; provided, however, that any notice to an Underwriter pursuant to Section 9(c) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire, or telex constituting such Questionnaire, which address will be supplied to the Company by you upon request; provided, however, that notices under subsection 5(e) shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to you as the representative at Barclays Capital Inc., 745 Seventh Avenue, New York, New York 10019, Attention: Syndicate Registration (Fax: (646) 834-8133). Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the underwriters are required to obtain, verify and record information that identifies their respective clients, including the Company, which information may include the name and address of their respective clients, as well as other information that will allow the underwriters to properly identify their respective clients.

14. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company and, to the extent provided in Sections 9 and 11 hereof, the officers and directors of the Company and each person who controls the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

15. Time shall be of the essence of this Agreement. As used herein, the term “business day” shall mean any day when the Commission’s office in Washington, D.C. is open for business.

16. The Company acknowledges and agrees that (i) the purchase and sale of the Shares pursuant to this Agreement is an arm’s-length commercial transaction between the Company, on the one hand, and the several Underwriters, on the other, (ii) in connection therewith and with the process leading to such transaction each Underwriter is acting solely as a principal and not the agent or fiduciary of the Company, (iii) no Underwriter has assumed an advisory or fiduciary responsibility in favor of the Company with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Company on other matters) or any other obligation to the Company except the obligations expressly set forth in this Agreement and (iv) the Company has consulted its own legal and financial advisors to the extent it deemed appropriate. The Company agrees that it will not claim that the Underwriters, or any of them, has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Company, in connection with such transaction or the process leading thereto.

17. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Company and the Underwriters, or any of them, with respect to the subject matter hereof.

18. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflict of laws that would result in the application of any law other than the laws of the State of New York. The Company agrees that any suit, action or proceeding arising in respect of this Agreement or any transaction contemplated by this Agreement (“Related Proceedings”) will be tried exclusively in the U.S. District Court for the Southern District of New York or, if that court does not have subject matter jurisdiction, in any state court located in The City and County of New York (collectively, the “Specified Courts”) and the Company agrees to submit to the jurisdiction of, and to venue in, such courts in any such suit, action or proceeding (except for proceedings instituted in regard to the enforcement of a judgment of any such court (a “Related Judgment”), as to which such jurisdiction is non-exclusive).

19. The Company and each of the Underwriters hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or any Related Proceedings.

20. With respect to any Related Proceeding, the Company and each of the Underwriters irrevocably waives, to the fullest extent permitted by applicable law, all immunity (whether on the basis of sovereignty or otherwise) from jurisdiction, service of process, attachment (both before and after judgment) and execution to which it might otherwise be entitled in the Specified Courts, and with respect to any Related Judgment, each party waives any such immunity in the Specified Courts or any other court of competent jurisdiction, and will not raise or claim or cause to be pleaded any such immunity at or in respect of any such Related Proceeding or Related Judgment, including, without limitation, any immunity pursuant to the United States Foreign Sovereign Immunities Act of 1976, as amended.

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21. The obligations of the Company pursuant to this Agreement in respect of any sum due to any Underwriter shall, notwithstanding any judgment in a currency other than United States dollars, not be discharged until the first business day, following receipt by any Underwriter of any sum adjudged to be so due in such other currency, on which such Underwriter may in accordance with normal banking procedures purchase United States dollars with such other currency. If the United States dollars so purchased are less than the sum originally due to such Underwriter in United States dollars hereunder, the Company agrees as a separate obligation and notwithstanding any such judgment, to indemnify such Underwriter against such loss. If the United States dollars so purchased are greater than the sum originally due to such Underwriter hereunder, such Underwriter agrees to pay to the Company an amount equal to the excess of the dollars so purchased over the sum originally due to such Underwriter hereunder.

All payments (including payments in kind such as issuance, sale and delivery of Shares by the Company to the Underwriters and the initial sale and delivery of Shares by the Underwriters to purchasers thereof) made by or on behalf of the Company under this Agreement shall be exclusive of any value added tax or any other tax of a similar nature (“VAT”) which is chargeable thereon and if any VAT is or becomes chargeable in respect of any such payment, the Company shall pay in addition the amount of such VAT (at the same time and in the same manner as the payment to which such VAT relates). For the avoidance of doubt, all amounts charged by the Underwriters or for which the Underwriters are to be reimbursed will be self-invoiced and payable together with VAT, where applicable. Any amount for which the Underwriters are to be reimbursed or indemnified under this Agreement will be reimbursed or indemnified together with an additional amount equal to any VAT payable (by the Company) in relation to the cost, fee, expense or other amount to which the reimbursement or indemnification relates.

All payments made or deemed to be made by the Company to the Underwriters, their respective affiliates, directors, officers, employees and agents or to any person controlling any Underwriter under this Agreement, if any, will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature (other than taxes on net income or similar taxes) imposed or levied by or on behalf of Israel or of any other jurisdiction in which the Company is organized or incorporated, engaged in business for tax purposes or is otherwise resident for tax purposes or has a permanent establishment, any jurisdiction from or through which a payment is made by or on behalf of the Company, or any political subdivision, authority or agency in or of any of the foregoing having power to tax, unless the Company is or becomes required by law to withhold or deduct such taxes, duties, assessments or other governmental charges. In such event, the Company will pay such additional amounts as will result, after such withholding or deduction, in the receipt by each Underwriter, their respective affiliates, directors, officers, employees and each person controlling any Underwriter, as the case may be, of the amounts that would otherwise have been receivable had such deduction or withholding not been required.

22. (a) In the event that any of the Underwriters that are a Covered Entity becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer from such Underwriter of this Agreement, and any interest and obligation in or under this Agreement, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.

(b) In the event that any of the Underwriters that are a Covered Entity or a BHC Act Affiliate of such Underwriter becomes subject to a proceeding under a U.S. Special Resolution

Regime, Default Rights under this Agreement that may be exercised against such Underwriter are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a state of the United States.

For the purposes of this Section 22, a “BHC Act Affiliate” has the meaning assigned to the term “affiliate” in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k). “Covered Entity” means any of the following: (i) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (ii) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b). “Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable. “U.S. Special Resolution Regime” means each of (i) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (ii) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

23. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

24. Notwithstanding anything herein to the contrary, the Company is authorized to disclose to any persons the U.S. federal and state, Israeli, foreign or other income tax treatment and tax structure of the potential transaction and all materials of any kind (including tax opinions and other tax analyses) provided to the Company relating to that treatment and structure, without the Underwriters imposing any limitation of any kind. However, any information relating to the tax treatment and tax structure shall remain confidential (and the foregoing sentence shall not apply) to the extent necessary to enable any person to comply with securities laws. For this purpose, “tax structure” is limited to any facts that may be relevant to that treatment.

If the foregoing is in accordance with your understanding, please sign and return to us counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement between each of the Underwriters and the Company. It is understood that your acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in a form of Agreement among Underwriters, the form of which shall be submitted to the Company for examination upon request, but without warranty on your part as to the authority of the signers thereof.

Very truly yours,

PolyPid Ltd.

By: _____
Name:
Title:

Accepted as of the date hereof:

Barclays Capital Inc.

By: _____
Name:
Title:

On behalf of each of the Underwriters

[Signature Page to Underwriting Agreement (PolyPid)]

SCHEDULE I

Underwriter	Total Number of Firm Shares to be Purchased	Number of Optional Shares to be Purchased if Maximum Option Exercised
Barclays Capital Inc.	[·]	[·]
BMO Capital Markets Corp.	[·]	[·]
Raymond James & Associates, Inc.	[·]	[·]
National Securities Corporation.	[·]	[·]
ODDO BHF SCA.	[·]	[·]
A.G.P./Alliance Global Partners	[·]	[·]
Total	[·]	[·]

SCHEDULE II

(a) Issuer Free Writing Prospectuses not included in the Pricing Disclosure Package:

[Electronic roadshow dated [·]]

(b) Section 5(d) writings:

[·]

(c) Information other than the Pricing Prospectus that comprise the Pricing Disclosure Package:

Initial Public Offering Price per ordinary share: \$[·]

Number of Firm Shares purchased by the Underwriters: [·]

Number of Optional Shares: [·]

Form of Press Release

PolyPid Ltd.

[Date]

PolyPid Ltd. (the “Company”) announced today that Barclays Capital Inc., the lead book-running manager in the Company’s recent public sale of [] shares of, is [waiving] [releasing] a lock-up restriction with respect to [] ordinary shares held by [certain officers or directors] [an officer or director] of the Company. The [waiver] [release] will take effect on , 20 , and the shares may be sold on or after such date.

This press release is not an offer for sale of the securities in the United States or in any other jurisdiction where such offer is prohibited, and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended.

Form of Opinion of Cooley LLP

[See Attached]

Form of Opinion of Sullivan & Worcester Israel (Har-Even & Co.)

[See Attached]

Form of Opinion of Greenberg Traurig, LLP

[See Attached]

ANNEX III

PolyPid Ltd.

Lock-Up Agreement

[], 2020

Barclays Capital Inc.
As representative of the several Underwriters
named in Schedule I hereto,

c/o Barclays Capital Inc.
745 Seventh Avenue
New York, New York 10019

Re: PolyPid Ltd. - Lock-Up Agreement

Ladies and Gentlemen:

The undersigned understands that you, as representative (the "Representative"), propose to enter into an Underwriting Agreement on behalf of the several Underwriters to be named in Schedule I to such agreement (collectively, the "Underwriters"), with PolyPid Ltd., a company organized under the laws of the State of Israel (the "Company"), providing for a public offering (the "Public Offering") of an unspecified number of ordinary shares of the Company (the "Shares") pursuant to a Registration Statement on Form F-1 to be filed with the Securities and Exchange Commission (the "SEC").

In consideration of the agreement by the Underwriters to offer and sell the Shares to the public, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned agrees that, during the period beginning from the date of this Lock-Up Agreement and continuing through and including the date that is 180 days after the date set forth on the final prospectus used to sell the Shares (the "Lock-Up Period"), the undersigned will not offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of (each, a "Transaction") any ordinary shares of the Company, or any options or warrants to purchase any ordinary shares of the Company, or any securities convertible into, exchangeable for or that represent the right to receive ordinary shares of the Company, whether now owned or hereinafter acquired, owned directly by the undersigned (including holding as a custodian) or with respect to which the undersigned has beneficial ownership as defined by Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (collectively the "Undersigned's Shares"); provided, however, that all officers and directors of the

Company, all shareholders of the Company holding at least one-percent (1%) of the Company's outstanding share capital and holders of registration rights enter into this Lock-up Agreement prior to the launch of the roadshow for the Public Offering. The foregoing restriction is expressly agreed to preclude the undersigned from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Undersigned's Shares even if such Shares would be disposed of by someone other than the undersigned to the extent that such of the Undersigned's Shares are controlled by the Undersigned. Such prohibited hedging or other transactions would include, without limitation, any short sale or any purchase, sale or grant of any right (including, without limitation, any put or call option) with respect to any of the Undersigned's Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such of the Undersigned's Shares (collectively, a "Swap Transaction"). If the undersigned is an officer or director of the Company, the undersigned further agrees that the foregoing provisions shall be equally applicable to any Company-directed Shares the undersigned may purchase in the Public Offering.

If the undersigned is an officer or director of the Company, (i) the Representative agrees that, at least three business days before the effective date of any release or waiver of the foregoing restrictions in connection with a transfer of ordinary shares, the Representative will notify the Company of the impending release or waiver, and (ii) the Company has agreed in the Underwriting Agreement to announce the impending release or waiver by press release through a major news service at least two business days before the effective date of the release or waiver. Any release or waiver granted by the Representative hereunder to any such officer or director shall only be effective two business days after the publication date of such press release. The provisions of this paragraph will not apply if (a) the release or waiver is effected solely to permit a transfer not for consideration and (b) the transferee has agreed in writing to be bound by the same terms described in this letter to the extent and for the duration that such terms remain in effect at the time of the transfer.

Notwithstanding the foregoing, the undersigned may transfer or otherwise dispose of the Undersigned's Shares (and the foregoing restrictions shall not apply to such transfers or dispositions) (i) as a *bona fide* gift or gifts, provided that the donee or donees thereof agree to be bound in writing by the restrictions set forth herein, (ii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, provided that the trustee of the trust agrees to be bound in writing by the restrictions set forth herein, and provided further that any such transfer shall not involve a disposition for value, (iii) in Transactions or Swap Transactions relating to ordinary shares or securities convertible into or exercisable for ordinary shares acquired in the Public Offering or in open market transactions after the Public Offering closing date, (iv) in connection with the exercise of options, warrants or other rights to acquire ordinary shares or any security convertible into or exercisable for ordinary shares of the Company in accordance with their terms (including the settlement of restricted share units and including, in each case, by way of net exercise and/or to cover withholding tax obligations in connection with such exercise) pursuant to an employee benefit plan, option, warrant or other right disclosed in the Prospectus, provided that any such shares issued upon

exercise of such option, warrant or other right shall be subject to the restrictions set forth herein, (v) by will or intestacy, (vi) pursuant to a court order or settlement agreement related to the distribution of assets in connection with the dissolution of a marriage or civil union, (vii) to the Company pursuant to agreements under which the Company has the option to repurchase such shares or a right of first refusal with respect to transfers of such shares upon termination of service of the undersigned, (viii) pursuant to the conversion of outstanding preferred shares of the Company into ordinary shares of the Company, provided that the ordinary shares received upon conversion shall be subject to the restrictions set forth herein, (ix) as part of a distribution, transfer or disposition without consideration by the undersigned to its limited or general partners, members, shareholders or affiliates (as defined in Rule 12b-2 under the Exchange Act), provided that the transferee agrees to be bound in writing by the restrictions set forth herein, (x) pursuant to a merger, consolidation, tender offer or other similar transaction involving a Change of Control of the Company and approved by the Company's board of directors, provided that, in the event that such Change of Control is not completed, the Undersigned's Shares shall remain subject to the restrictions contained in this Lock-Up Agreement, or (xi) with the prior written consent of the Representative on behalf of the Underwriters. For purposes of this Lock-Up Agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin. For the purposes of clause (x), "Change of Control" shall mean the transfer (whether by tender offer, merger, consolidation or other similar transaction), in one transaction or a series of related transactions, to a person or group of affiliated persons (other than an Underwriter pursuant to the Public Offering), of the Company's voting securities if, after such transfer, such person or group of affiliated persons would hold more than 50% of the outstanding voting securities of the Company (or the surviving entity). In addition, notwithstanding the foregoing, if the undersigned is a corporation, partnership, limited liability company, trust or other business entity, the undersigned may transfer the Undersigned's Shares by transfer to any corporation, partnership, limited liability company or other legal entity that, directly or indirectly, controls, is controlled by, or is under common control with, the undersigned; provided, however, that in any such case, it shall be a condition to the transfer that the transferee execute an agreement stating that the transferee is receiving and holding such ordinary shares subject to the provisions of this Lock-up Agreement and there shall be no further transfer of such ordinary shares except in accordance with this Lock-up Agreement, and provided further that any such transfer shall not involve a disposition for value. The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the Undersigned's Shares except in compliance with the foregoing restrictions.

Notwithstanding the foregoing, the undersigned may establish a trading plan pursuant to Rule 10b5-1 under the Exchange Act, provided, that (i) the undersigned is not required to and does not otherwise effect any public filing or report regarding the establishment of such plan during the Lock-Up Period and (ii) no sales are made during the Lock-Up Period pursuant to such plan.

In the event that during the Lock-Up Period, the Representative waives any prohibition on the transfer of the securities held by any record or beneficial holder of the ordinary shares of the Company, the Representative shall be deemed to have also

waived for each Major Holder (as defined below), on the same terms, the prohibitions set forth in the Lock-Up Agreement that would otherwise have applied to such Major Holder with respect to the same percentage of such Major Holder's securities as the relative percentage of aggregate securities held by such party receiving the waiver which are subject to such waiver. The provisions of this paragraph will not apply: (1) unless and until the Representative has first waived more than 1.0% of the Company's total outstanding ordinary shares (determined as of the date of such waiver and assuming conversion, exercise and exchange of all securities convertible into or exercisable or exchangeable for ordinary shares) from such prohibitions, (2) (a) if the waiver is effected solely to permit a transfer not involving a disposition for value and (b) the transferee has agreed in writing to be bound by the same terms described in this lock-up agreement to the extent and for the duration that such terms remain in effect at the time of the transfer, or (3) if the waiver is granted to a holder of securities in connection with a follow-on public offering of the Company's securities pursuant to a registration statement on Form F-1 that is filed with the Securities and Exchange Commission, provided that such waiver shall only apply with respect to such holder's participation in such follow-on public sale. In the event that, as a result of this paragraph, any securities held by the undersigned are released from the restrictions imposed by this Lock-Up Agreement, the Representative shall use commercially reasonable efforts to notify the Company within two business days of the effective date of such release, and the Company, in turn, in consultation with the Representative, shall use commercially reasonable efforts to notify the Major Holders within one business day thereafter that the same percentage of aggregate securities held by such Major Holders has been released; provided that the failure to give such notice to the Company or the Major Holders shall not give rise to any claim or liability against the Company or the Underwriters, including the Representative. Notwithstanding any other provisions of this lock-up agreement, if the Representative, in its reasonable judgment, after consultation with the Company, determine that a record or beneficial owner of any securities should be granted an early release from this Lock-Up Agreement due to circumstances of an emergency or hardship, then the Major Holders shall not have any right to be granted an early release pursuant to the terms of this paragraph. For purposes of this Lock-Up Agreement, each of the following persons is a "Major Holder": each record or beneficial owner, as of the date hereof, of more than 5% of the outstanding ordinary shares of the Company on an as-converted to ordinary shares basis (for purposes of determining record or beneficial ownership of a shareholder, all ordinary shares held by investment funds affiliated with such shareholder shall be aggregated).

The undersigned understands that the Company and the Underwriters are relying upon this Lock-Up Agreement in proceeding toward consummation of the Public Offering. The undersigned further understands that this Lock-Up Agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors, and assigns.

This Lock-Up Agreement (and for the avoidance of doubt, the Lock-Up Period described herein) and related restrictions shall automatically terminate upon the earliest to occur, if any, of (i) the Company advising the Representative in writing prior to the execution of the Underwriting Agreement that it has determined not to proceed with the Public Offering, (ii) the termination of the Underwriting Agreement before the sale of any

Shares to the Underwriters, (iii) the registration statement filed with the SEC with respect to the Public Offering contemplated by the Underwriting Agreement is withdrawn or (iv) September 30, 2020, in the event the closing of the Public Offering shall not have occurred on or before such date (provided, that the Company may by written notice to the undersigned prior to September 30, 2020 extend such date for a period of up to an additional three months).

[Signature Page Follows]

Very truly yours,

Exact Name of Securityholder

Authorized Signature

Title

THE COMPANIES LAW - 1999
A COMPANY LIMITED BY SHARES
AMENDED AND RESTATED
ARTICLES OF ASSOCIATION OF
POLYPID LTD.

PRELIMINARY

1. In these Articles of Association, unless the context otherwise requires:

The “**Articles**” shall mean the Articles of Association of the Company as shall be in force from time to time.

The “**Aurum Group**” shall mean (i) Aurum Ventures M.K.I. Ltd. (“Aurum”) and any entity which Controls Aurum, any entity which Aurum Controls, any entity Controlled by the same entity Controlling Aurum or with respect to any of the aforementioned Aurum entities which is an individual, such Person’s spouse, siblings and children or any trust for the benefit of any of the foregoing and any of their respective Controlled entities, and any successor and assignor thereof; and (ii) Dan Gelvan.

The “**Board of Directors**” or “**Board**” shall mean the Company’s Board of Directors.

The “**Closing**” shall mean the Closing pursuant to the Purchase Agreement.

The “**Company**” shall mean PolyPid Ltd.

The “**Companies Law**” shall mean the Companies Law 5759-1999, as amended from time to time and the provisions of the Companies Ordinance [New Version] 5743-1983 that remain in effect or are given effect from time to time.

“**Control**” shall mean holding of more than 50% of the issued and outstanding share capital of a company on an as converted basis and/or the voting rights of a company, and/or the right to appoint the majority of the directors of a company.

The “**Directors**” shall mean the members of Company’s Board of Directors.

An “**Eligible E Holder**” shall mean any holder of Preferred E Shares, holding at least 1% of the Company’s issued and outstanding share capital (on an as-converted basis).

An “**Eligible E Investor**” shall mean any shareholder that is an investor under both the Series E SPA and the Series E-1 SPA, and is a holder, immediately prior to any closing of the Series E-1 SPA, of Series E Preferred Shares (which Series E Preferred Shares (or any part thereof) shall be converted into Series E-1 Preferred Shares upon and subject to such closing).

An “**Institutional Entity**” shall mean any of the entities listed in the First Supplement of the Securities Law, 5728-1968.

The “**Issuing Date**” shall mean, in the case of a particular Share, the date on which such share was originally issued by the Company to a Shareholder.

The “**Lead Investor**” shall mean Shavit Capital Fund III (US), L.P., a Delaware limited partnership and Gabriel Capital Fund (US), L.P., a Delaware limited partnership.

The “**Limited Partners**” shall mean the following (i) limited partners of Friendly Angels I., L.P. (“**FAC Partnership**”): Gerry Rubens, David Delevi, Shabtay Vogel, Eitan Adres, Leo Malamud, Adi Lahat, Eftan Investment Consulting Ltd., Egon Mining and Exploration Ltd., RB Holding Company S.A., Tiferet Hamechonit Leasing Ltd., WG-Fifth Ave LLC, Six Continents Group LLC Defined Benefit Jeffrey Sacks Trustee, Yaki De Levi, Ory Vogel, Saul Goldberg, Jose Birnabaum, Yuval Harari, Joseph Englhard, Eitan Kyiet, Yosef Paciuk, Arnon Wilinski, Ran Gants, Yossi Zaykovsky and Gil Naor, Neveh-Oded Building & Investment company Ltd., Trans Opera SARL, Guibor S.A., Financiere Saint James S.A.S, H. Stark Investments Ltd., Stark Investments (D.H.) Limited, Friendly Angels, L.P. (“**Partnership**”), Friendly Angels Club Advisors Ltd. and AW Equity S.A and any subsequent limited partner of the Partnership as shall be notified by the general partner of the Partnership and as shall be approved by the Board of Directors of the Company.

The “**Majority E Holders**” shall mean the holders of Preferred E Shares holding the majority of the issued and outstanding Preferred E Shares.

The “**Majority Investors**” shall mean the holders of Series D-1 Preferred Shares, Series D-2 Preferred Shares and Series D-3 Preferred Shares holding the majority of the issued and outstanding Series D-1 Preferred Shares, Series D-2 Preferred Shares and Series D-3 Preferred Shares, *pari passu*, on an as converted basis which majority shall in all events (except in relation to the provisions of Article 11(d)(i)(B)) include the Lead Investor, as long as the Lead Investor (and its Permitted Transferees) continues to hold at least 50% of the Series D-1 Preferred Shares issued to it at the Closing (not including, for the avoidance of doubt, any Warrant Shares).

The “**Office**” shall mean the registered office of the Company, as it shall be from time to time.

The “**Ordinary Shares**” are as defined in Article 5.

The “**Original Issue Price**” shall generally mean, with respect to each Preferred Share, the original price actually paid or deemed to have been paid to the Company for such Preferred Share, and shall be subject to adjustment as provided herein. The Original Issue Price of each Series A Preferred Share is US\$1.44. The Original Issue Price of each Series A-1 Preferred Share is US\$1.6752. The Original Issue Price of each Series B Preferred Share is US\$3.436. The Original Issue Price of each Series B-1 Preferred Share is US\$4.8448. The Original Issue Price of each Series C-1 Preferred Share is US\$6.6208. The Original Issue Price of each Series C-2 Preferred Share is US\$8.828. The Original Issue Price of each Series D-1 Preferred Share is US\$ 8.8288. The Original Issue Price of each Series D-2 Preferred Share shall initially be US\$8.8288, but such figure shall be as may be adjusted under the Purchase Agreement, the Warrant and/or hereunder from time to time in accordance therewith and herewith. The Original Issue Price of each Series D-3 Preferred Share is US\$ 8.8288. The Original Issue Price of each Series E Preferred Share is US\$ 12.716, and the Original Issue Price of each Series E-1 Preferred Share is US\$ 12.716.

The “**Preferred Shareholders**” shall mean the holders of Preferred Shares.

The “**Preferred E Shares**” shall mean the Series E Preferred Shares together with the Series E-1 Preferred Shares, pari passu among them.

The “**Preferred Shares**” shall mean the Series A Preferred Shares, Series A-1 Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares and the Preferred E Shares.

The “**Purchase Agreement**” shall mean the Securities Purchase Agreement dated effective February 2nd, 2016 by and between the Company and the Investors (as such term is defined therein) (the “**Investors**”), including for the avoidance of doubt any joinder thereto.

A “**Provident Fund**” shall mean any of the following (as the case may be): (i) a provident fund, (ii) a study fund, or (iii) a provident fund for severance pay, or (iv) an entity holding shares in the Company on behalf of Provident Fund(s) under its management, as disclosed to the Company.

The “**Register**” shall mean the register of Shareholders that is to be kept pursuant to Section 127 of the Companies Law.

The “**Series A-1 Group**” shall mean the following: Amir Weisberg, Prof. David Segal, Yehuda Nir, Yossi Dotan and Aharon Lukach.

The “**Series E Investor**” shall mean an investor under the Series E SPA.

The “**Series E-1 Investor**” shall mean an investor under the Series E-1 SPA.

The “**Series E SPA**” shall mean the Series E Preferred Share Purchase Agreement dated effective October 31, 2017 by and among the Company and the Series E Investors.

The “**Series E-1 SPA**” shall mean the Series E-1 Preferred Share Agreement dated effective _____, 2018 by and among the Company and certain investors listed therein (including any joinder to the Series E-1 SPA).

A “**Shareholder**” shall mean any person or entity that is the owner of at least one share of the Company, as registered in the Register.

The “**Shares**” shall mean the Preferred Shares and the Ordinary Shares.

The “**Warrant Shares**” shall mean the Series D-2 Preferred Shares which may be issued upon the exercise of warrants to purchase such shares granted by the Company to any holder thereof (“**Warrants**”).

In these Articles, subject to this Article and unless the context otherwise requires, expressions defined in the Companies Law, or any modification thereof in force on the date upon which these Articles become binding on the Company, shall have the meanings so defined therein; and words importing the singular shall include the plural, and vice versa, and words importing the masculine gender shall include the feminine gender, and words importing persons shall include bodies corporate, unless the context requires otherwise. The titles of the Articles are not part of the Articles.

PRIVATE COMPANY

2. The Company is a private company, and accordingly:
 - (a) the right to transfer the Shares of the Company shall be restricted in the manner hereinafter appearing; and
 - (b) no invitation shall be issued to the public to subscribe for any shares or debentures or debenture stock of the Company.
3. The Company's objectives are to conduct any legal business. The Company may also make contributions of reasonable amounts for worthy purposes even if such contributions are not made on the basis of business considerations.

OFFICE

4. The Office shall be at such place as the Board of Directors shall from time to time decide.

LIABILITY OF THE SHAREHOLDERS

- 4A. The liability of a Shareholder for the obligations of the Company will be limited to the payment of the consideration (including the premium) for which his shares were issued to him, but not less than the par value of such shares; except in the event that said shares have been issued to such Shareholder lawfully for a consideration which is below the par value, in which event such Shareholders' liability will be limited to the payment of the consideration for which said shares were issued to him/her/it. The Company may not alter the liability of a Shareholder or obligate any Shareholder to acquire additional shares, without such Shareholder's written consent.

THE CAPITAL

5. The authorized share capital of the Company shall be comprised of 66,541,017 shares, divided into 47,800,000 Ordinary Shares, no nominal value (the "**Ordinary Shares**"), 562,500 Series A Preferred Shares, nominal value NIS 0.80 per share (the "**Series A Preferred Shares**"), 937,500 Series A-1 Preferred Shares, nominal value NIS 0.80 per share (the "**Series A-1 Preferred Shares**"), 625,000 Series B Preferred Shares, nominal value NIS 0.80 per share (the "**Series B Preferred Shares**"), 1,953,517 Series B-1 Preferred Shares, nominal value NIS 0.80 per share (the "**Series B-1 Preferred Shares**"), 750,000 Series C-1 Preferred Shares, nominal value NIS 0.80 per share (the "**Series C-1 Preferred Shares**"), 475,000 Series C-2 Preferred Shares, nominal value NIS 0.80 per share (the "**Series C-2 Preferred Shares**"), and together with the Series C-1 Preferred Shares, the "**Series C Preferred Shares**"), 2,625,000 Series D-1 Preferred Shares, nominal value NIS 0.80 per share (the "**Series D-1 Preferred Shares**"), 3,000,000 Series D-2 Preferred Shares, nominal value NIS 0.80 per share (the "**Series D-2 Preferred Shares**"), and 625,000 Series D-3 Preferred Shares, nominal value NIS 0.80 per share (the "**Series D-3 Preferred Shares**" and together with the Series D-1 Preferred Shares and the Series D-2 Preferred Shares, the "**Series D Preferred Shares**"), 1,187,500 Series E Preferred Shares, nominal value NIS 0.80 per share (the "**Preferred Shares**"), and 6,000,000 Series E-1 Preferred Shares, nominal value NIS 0.80 per share (the "**Series E-1 Preferred Shares**").

RIGHTS, PREFERENCES AND RESTRICTIONS OF PREFERRED SHARES

6. The rights, preferences, privileges, and restrictions granted to and imposed on the Preferred Shares, are as set forth below:

DIVIDEND PREFERENCE

7. In the event that the Company will distribute any dividends then:

(a) Prior to and in preference to the distribution of any dividends to the holders of any class or series of shares of the Company (including Ordinary Shares), each of the holders of the Preferred E Shares shall be entitled to receive, *pari passu* among themselves, for each Preferred E Share held by it, cumulative dividends (whether paid in cash or otherwise), if and when declared by the Board, out of any funds legally available for distribution therefor, an amount equal to (A) (i) the Original Issue Price for such Preferred E Share (ii) *times* 1.3 (the “**Multiplier**”), *plus* (B) interest on the applicable Original Issue Price at the rate of six percent (6%), per annum, calculated from the Issuing Date thereof, compounding annually, (the “**Series E Dividend Preference**”).

(b) Following payment in full of the Series E Dividend Preference, and prior to and in preference to the distribution of any dividends to the holders of any class or series of shares of the Company (except the holders of Preferred E Shares), each of the holders of the Series D Preferred Shares shall be entitled to receive, *pari passu* among themselves, for each Series D Preferred Share held by it, cumulative dividends (whether paid in cash or otherwise), if and when declared by the Board, out of any funds legally available for distribution therefor, an amount equal to: (1) with respect to the holders of the Series D-1 Preferred Shares and/or the Series D-2 Preferred Shares - (A) (i) the applicable Original Issue Price for such Series D Preferred Share (ii) *times* the Multiplier, *plus* (B) interest on the applicable Original Issue Price at the rate of six percent (6%), per annum, calculated from the Issuing Date thereof, compounding annually, and (2) with respect to the holders of the Series D-3 Preferred Shares — (A) (i) the applicable Original Issue Price for such Series D-3 Preferred Share (ii) *times* the Multiplier, *plus* (B) interest on the applicable Original Issue Price at the rate of six percent (6%), per annum, calculated from the Issuing Date thereof, compounding annually, (the “**Series D Dividend Preference**”).

(c) Following payment in full of the Series E Dividend Preference and the Series D Dividend Preference, and prior to and in preference to the distribution of any dividends to the holders of any class or series of shares of the Company (except the holders of Preferred E Shares and the Series D Preferred Shares), each of the holders of the Series C Preferred Shares shall be entitled to receive, for each Series C Preferred Share held by it, cumulative dividends (whether paid in cash or otherwise), if and when declared by the Board, out of any funds legally available for distribution therefor, an amount equal to (A) (i) the applicable Original Issue Price for such Series C Preferred Share, *plus* (B) interest on the applicable Original Issue Price at the rate of six percent (6%), per annum, calculated from the Issuing Date thereof, compounding annually (the “**Series C Dividend Preference**”).

(d) Following payment in full of the Series E Dividend Preference, Series D Dividend Preference and the Series C Dividend Preference, and prior to and in preference to the distribution of any dividends to the holders of any class or series of shares of the Company (except the holders of Preferred E Shares, Series D Preferred Shares and Series C Preferred Shares), each of the holders of the Series B-1 Preferred Shares shall be entitled to

receive, for each Series B-1 Preferred Share held by it, cumulative dividends (whether paid in cash or otherwise), if and when declared by the Board, out of any funds legally available for distribution therefor, an amount equal to (A) (i) the applicable Original Issue Price for such Series B-1 Preferred Share, plus (B) interest on the applicable Original Issue Price at the rate of six percent (6%), per annum, calculated from the Issuing Date thereof, compounding annually (the “**Series B-1 Dividend Preference**”).

(e) Following payment in full of the Series E Dividend Preference, Series D Dividend Preference, the Series C Dividend Preference, and the Series B-1 Dividend Preference, and prior to and in preference to the distribution of any dividends to the holders of any class or series of shares of the Company (except the holders of Preferred E Shares, Series D Preferred Shares, Series C Preferred Shares, and Series B-1 Preferred Shares), each of the holders of the Series B Preferred Shares shall be entitled to receive, for each Series B Preferred Share held by it, cumulative dividends (whether paid in cash or otherwise), if and when declared by the Board, out of any funds legally available for distribution therefor, an amount equal to (A) (i) the applicable Original Issue Price for such Series B Preferred Share, plus (B) interest on the applicable Original Issue Price at the rate of six percent (6%), per annum, calculated from the Issuing Date thereof, compounding annually (the “**Series B Dividend Preference**”).

(f) Following payment in full of the Series E Dividend Preference, Series D Dividend Preference, the Series C Dividend Preference, Series B-1 Dividend Preference, and the Series B Dividend Preference, and prior to and in preference to the distribution of any dividends to the holders of any class or series of shares of the Company (except the holders of Preferred E Shares, Series D Preferred Shares, Series C Preferred Shares, Series B-1 Preferred Shares, and Series B Preferred Shares), each of the holders of the Series A-1 Preferred Shares shall be entitled to receive, for each Series A-1 Preferred Share held by it, cumulative dividends (whether paid in cash or otherwise), if and when declared by the Board, out of any funds legally available for distribution therefor, an amount equal to (A) (i) the applicable Original Issue Price for such Series A-1 Preferred Share, plus (B) interest on the applicable Original Issue Price at the rate of six percent (6%), per annum, calculated from the Issuing Date thereof, compounding annually (the “**Series A-1 Dividend Preference**”).

(g) Following payment in full of the Series E Dividend Preference, Series D Dividend Preference, the Series C Dividend Preference, Series B-1 Dividend Preference, Series B Dividend Preference, and the Series A-1 Dividend Preference, and prior to and in preference to the distribution of any dividends to the holders of any class or series of shares of the Company (except the holders of Preferred E Shares, Series D Preferred Shares, Series C Preferred Shares, Series B-1 Preferred Shares, Series B Preferred Shares, and Series A-1 Preferred Shares), each of the holders of the Series A Preferred Shares shall be entitled to receive, for each Series A Preferred Share held by it, cumulative dividends (whether paid in cash or otherwise), if and when declared by the Board, out of any funds legally available for distribution therefor, an amount equal to (A) (i) the applicable Original Issue Price for such Series A Preferred Share, plus (B) interest on the applicable Original Issue Price at the rate of six percent (6%), per annum, calculated from the Issuing Date thereof, compounding annually (the “**Series A Dividend Preference**”, and together with the Series E Dividend Preference Series D Dividend Preference, the Series C Dividend Preference, Series B-1 Dividend Preference, Series B Dividend Preference, and the Series A-1 Dividend Preference, the “**Dividend Preferences**”).

(h) Following the payment in full of all of the Dividend Preferences set forth in Article 7(a)-(g) above, the holders of the Preferred Shares and the Ordinary Shares shall be entitled to receive, pro rata, on an as-converted basis, any and all other dividends distributed by the Company.

(i) For the avoidance of doubt, no dividends shall be paid on any other class of shares, unless the Dividend Preferences have been paid in full.

(j) Notwithstanding the provisions of Article 7(a), if the aggregate dividend that would be due to the holders of: (1) the Series D Preferred Shares, with respect to each Series D Preferred Share held by them, and/or (2) the Preferred E Shares, with respect to each Preferred E Share held by them, on the relevant date for such distribution, pursuant to a theoretical distribution to all shareholders under Article 8(a) and 8(b) which does **not** (solely for the purpose of calculating such theoretical distribution) give effect to the Multiplier, equals at least three hundred percent (300%) of the Original Issue Price for such share (the “**3X Cap Amount**”), then (i) the Multiplier shall not apply for such class of Preferred Shares achieving the 3X Cap Amount (including for the avoidance of doubt, in case where the class of the Series D Preferred Shares achieves the 3X Cap Amount, the Series D-3 Preferred Shares), and (ii) the applicable Dividend Preference (i.e., Series D Dividend Preference and/or Series E Dividend Preference, as applicable) for each such Preferred Share will equal (I) (A) the applicable Original Issue Price of such Preferred Share *plus* (B) interest on the applicable Original Issue Price at the rate of six percent (6%) per year, compounding annually from the Issuing Date; *less* (II) the amount of any Dividend Preference previously and actually paid on such class of Preferred Share, and (iii) the holders of such class of Preferred Shares shall receive, upon such distribution, with respect to each Preferred Share held by them on the relevant date for such distribution, their applicable Dividend Preference for such share as modified under clause (ii) above plus the amount payable per such Preferred Share, on an as-converted basis, under Article 7(h).

LIQUIDATION PREFERENCE

8. In the event of any liquidation or winding up of the Company (whether voluntary or involuntary), the commencement of any bankruptcy or insolvency proceeding under any bankruptcy or insolvency or similar law (whether voluntary or involuntary), by or against the Company, which proceedings shall remain un-dismissed for a period of sixty (60) days, or if the Company by any act indicates its consent to, approval of or acquiescence in, any such proceeding, or the appointment of a receiver or liquidator to all or substantially all of the Company’s assets which appointment shall remain un-dismissed for a period of sixty (60) days or the making of an assignment for the benefit of creditors (a “**Liquidation**”):

(a) Preferred Preferences.

(1) Series E Preference. The holders of the Preferred E Shares shall be entitled to receive, on a pro-rata and pari passu basis among themselves, prior and in preference to any distribution of any of the assets or surplus funds of the Company or otherwise available for distribution to the holders of any of the other securities of the Company by reason of their ownership thereof, for each Preferred E Share held by them, an amount equal to: (I) (A) (i) the applicable Original Issue Price of such Preferred Share (ii) *times* the Multiplier, *plus* (B) interest on the applicable Original Issue Price at the rate of six percent (6%) per year, compounding annually, from the Issuing Date; *plus* (II) an amount equal to the declared but unpaid dividends on each such Preferred E Share; *less* (III) the

amount of any Dividend Preference previously and actually paid on such Preferred E Share (the “**Series E Preference**”). If the amount available for distribution in such Liquidation (the “**Distributable Proceeds**”) is less than the amount needed to pay the holders of Preferred E Shares the full Series E Preference amount as provided herein, then all such Distributable Proceeds shall be distributed among the holders of the Preferred E Shares, on a pro rata basis among them in proportion to the amounts such holders would have received had the Distributable Proceeds been sufficient for the distribution of the entire Series E Preference amount.

(2) **Series D Preference.** Following payment in full of the Series E Preference, the holders of the Series D Preferred Shares shall be entitled to receive, on a pro-rata and pari passu basis among themselves, prior and in preference to any distribution of any of the assets or surplus funds of the Company or otherwise available for distribution to the holders of any of the other securities of the Company by reason of their ownership thereof (except the holders of Preferred E Shares), for each Series D Preferred Share held by them, an amount equal to: (1) with respect to the holders of the Series D-1 Preferred Shares and/or the Series D-2 Preferred Shares - (I) (A) (i) the applicable Original Issue Price of such Preferred Share (ii) *times* the Multiplier *plus* (B) interest on the applicable Original Issue Price at the rate of six percent (6%) per year, compounding annually, from the Issuing Date; *plus* (II) an amount equal to the declared but unpaid dividends on each such Series D-1 Preferred Share and/or Series D-2 Preferred Share (as applicable); *less* (III) the amount of any Dividend Preference previously and actually paid on such Series D-1 Preferred Share and/or Series D-2 Preferred Share (as applicable), and (2) with respect to the holders of Series D-3 Preferred Shares — (I) (A) (i) the applicable Original Issue Price of such Preferred Share (ii) *times* 1.3 *plus* (B) interest on the applicable Original Issue Price at the rate of six percent (6%) per year, compounding annually, from the Issuing Date; *plus* (II) an amount equal to the declared but unpaid dividends on such Series D-3 Preferred Share; *less* (III) the amount of any Dividend Preference previously and actually paid on such Series D-3 Preferred Share, (the “**Series D Preference**”). If Distributable Proceeds remaining available for distribution in such Liquidation following payment in full of the Series E Preference, is less than the amount needed to pay the holders of Series D Preferred Shares the full Series D Preference amount as provided herein, then all such Distributable Proceeds shall be distributed among the holders of the Series D Preferred Shares, on a pro rata basis among them in proportion to the amounts such holders would have received had the Distributable Proceeds been sufficient for the distribution of the entire Series D Preference amount.

(3) **Series C Preference.** Following payment in full of the Series E Preference and the Series D Preference, the holders of the Series C Preferred Shares shall be entitled to receive, on a pro-rata basis among themselves, prior and in preference to any distribution of any of the assets or surplus funds of the Company or otherwise available for distribution to the holders of any of the other securities of the Company by reason of their ownership thereof (except the holders of Preferred E Shares and Series D Preferred Shares), for each Series C Preferred Share held by them, an amount equal to (I) the applicable Original Issue Price of such Preferred Share, *plus* (II) interest on the applicable Original Issue Price at the rate of six percent (6%) per year, compounding annually, from the Issuing Date, *plus* (III) an amount equal to the declared but unpaid dividends on such Series C Preferred Share; *less* (IV) the amount of any Dividend Preference previously and actually paid on such Series C Preferred Share (the “**Series C Preference**”). If the Distributable Proceeds remaining available for distribution in such Liquidation following payment in full of the Series E Preference and the Series D Preference, are less than the amount needed to pay the

holders of Series C Preferred Shares the full Series C Preference amount as provided herein, then all such remaining Distributable Proceeds shall be distributed among the holders of the Series C Preferred Shares, on a pro rata basis among them in proportion to the amounts such holders would have received had such remaining Distributable Proceeds been sufficient for the distribution of the entire Series C Preference amount.

(4) **Series B-1 Preference.** Following payment in full of the Series E Preference and the Series D Preference and the Series C Preference, the holders of the Series B-1 Preferred Shares shall be entitled to receive, on a pro-rata basis among themselves, prior and in preference to any distribution of any of the assets or surplus funds of the Company or otherwise available for distribution to the holders of any of the other securities of the Company by reason of their ownership thereof (except the holders of Preferred E Shares, Series D Preferred Shares and Series C Preferred Shares), for each Series B-1 Preferred Share held by them, an amount equal to (I) the applicable Original Issue Price of such Preferred Share, *plus* (II) interest on the applicable Original Issue Price at the rate of six percent (6%) per year, compounding annually, from the Issuing Date, *plus* (III) an amount equal to the declared but unpaid dividends on such Series B-1 Preferred Share; *less* (IV) the amount of any Dividend Preference previously and actually paid on such Series B-1 Preferred Share (the “**Series B-1 Preference**”). If the Distributable Proceeds remaining available for distribution in such Liquidation following payment in full of the Series E Preference, the Series D Preference and the Series C Preference, are less than the amount needed to pay the holders of Series B-1 Preferred Shares the full Series B-1 Preference amount as provided herein, then all such remaining Distributable Proceeds shall be distributed among the holders of the Series B-1 Preferred Shares, on a pro rata basis among them in proportion to the amounts such holders would have received had such remaining Distributable Proceeds been sufficient for the distribution of the entire Series B-1 Preference amount.

(5) **Series B Preference.** Following payment in full of the Series E Preference, the Series D Preference, the Series C Preference, and the Series B-1 Preference, the holders of the Series B Preferred Shares shall be entitled to receive, on a pro-rata basis among themselves, prior and in preference to any distribution of any of the assets or surplus funds of the Company or otherwise available for distribution to the holders of any of the other securities of the Company by reason of their ownership thereof (except the holders of Preferred E Shares, Series D Preferred Shares, Series C Preferred Shares, and Series B-1 Preferred Shares), for each Series B Preferred Share held by them, an amount equal to (I) the applicable Original Issue Price of such Preferred Share, *plus* (II) interest on the applicable Original Issue Price at the rate of six percent (6%) per year, compounding annually, from the Issuing Date, *plus* (III) an amount equal to the declared but unpaid dividends on such Series B Preferred Share; *less* (IV) the amount of any Dividend Preference previously and actually paid on such Series B Preferred Share (the “**Series B Preference**”). If the Distributable Proceeds remaining available for distribution in such Liquidation following payment in full of the Series E Preference, the Series D Preference, the Series C Preference, and the Series B-1 Preference, are less than the amount needed to pay the holders of Series B Preferred Shares the full Series B Preference amount as provided herein, then all such remaining Distributable Proceeds shall be distributed among the holders of the Series B Preferred Shares, on a pro rata basis among them in proportion to the amounts such holders would have received had such remaining Distributable Proceeds been sufficient for the distribution of the entire Series B Preference amount.

(6) Series A-1 Preference. Following payment in full of the Series E Preference, the Series D Preference, the Series C Preference, the Series B-1 Preference, and the Series B Preference, the holders of the Series A-1 Preferred Shares shall be entitled to receive, on a pro-rata basis among themselves, prior and in preference to any distribution of any of the assets or surplus funds of the Company or otherwise available for distribution to the holders of any of the other securities of the Company by reason of their ownership thereof (except the holders of Preferred E Shares, Series D Preferred Shares, Series C Preferred Shares, Series B-1 Preferred Shares, and Series B Preferred Shares), for each Series A-1 Preferred Share held by them, an amount equal to (I) the applicable Original Issue Price of such Preferred Share, plus (II) interest on the applicable Original Issue Price at the rate of six percent (6%) per year, compounding annually, from the Issuing Date, plus (III) an amount equal to the declared but unpaid dividends on such Series A-1 Preferred Share; less (IV) the amount of any Dividend Preference previously and actually paid on such Series A-1 Preferred Share (the “**Series A-1 Preference**”). If the Distributable Proceeds remaining available for distribution in such Liquidation following payment in full of the Series E Preference, the Series D Preference, the Series C Preference, the Series B-1 Preference, and the Series B Preference, are less than the amount needed to pay the holders of Series A-1 Preferred Shares the full Series A-1 Preference amount as provided herein, then all such remaining Distributable Proceeds shall be distributed among the holders of the Series A-1 Preferred Shares, on a pro rata basis among them in proportion to the amounts such holders would have received had such remaining Distributable Proceeds been sufficient for the distribution of the entire Series A-1 Preference amount.

(7) Series A Preference. Following payment in full of the Series E Preference, Series D Preference, the Series C Preference, the Series B-1 Preference, the Series B Preference, and the Series A-1 Preference, the holders of the Series A Preferred Shares shall be entitled to receive, on a pro-rata basis among themselves, prior and in preference to any distribution of any of the assets or surplus funds of the Company or otherwise available for distribution to the holders of any of the other securities of the Company by reason of their ownership thereof (except the holders of Preferred E Shares, Series D Preferred Shares, Series C Preferred Shares, Series B-1 Preferred Shares, Series B Preferred Shares, and Series A-1 Preferred Shares), for each Series A Preferred Share held by them, an amount equal to (I) the applicable Original Issue Price of such Preferred Share, plus (II) interest on the applicable Original Issue Price at the rate of six percent (6%) per year, compounding annually, from the Issuing Date, plus (III) an amount equal to the declared but unpaid dividends on such Series A Preferred Share; less (IV) the amount of any Dividend Preference previously and actually paid on such Series A Preferred Share (the “**Series A Preference**”, and together with the Series E Preference, the Series D Preference, the Series C Preference, the Series B-1 Preference, the Series B Preference, and the Series A-1 Preference, the “**Preferred Preferences**”). If the Distributable Proceeds remaining available for distribution in such Liquidation following payment in full of the Series E Preference, Series D Preference, the Series C Preference, the Series B-1 Preference, the Series B Preference, and the Series A-1 Preference, are less than the amount needed to pay the holders of Series A Preferred Shares the full Series A Preference amount as provided herein, then all such remaining Distributable Proceeds shall be distributed among the holders of the Series A Preferred Shares, on a pro rata basis among them in proportion to the amounts such holders would have received had such remaining Distributable Proceeds been sufficient for the distribution of the entire Series A Preference amount.

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(b) Remainder. Following the payment in full of all of the Preferred Preferences set forth in Article 8(a) above, the holders of the Preferred Shares and the Ordinary Shares shall be entitled to receive, pro rata, on an as-converted basis, any and all remaining Distributable Proceeds.

(c) Notwithstanding the provisions of Article 8(a), if the aggregate proceeds that would be due to the holders of: (1) the Series D Preferred Shares, with respect to each Series D-1 Preferred Share and/or Series D-2 Preferred Share held by them, and/or (2) the Preferred E Shares, with respect to each Preferred E Share held by them (as applicable), at the closing of the Liquidation, pursuant to a theoretical distribution to all shareholders under Article 8(a) and 8(b) which does not (solely for the purpose of calculating such theoretical distribution) give effect to the Multiplier, equals at least the 3X Cap Amount, then (i) the Multiplier shall not apply for such class of Preferred Shares achieving the 3X Cap Amount (including for the avoidance of doubt, in case where the class of the Series D Preferred Shares achieves the 3X Cap Amount, the Series D-3 Preferred Shares), and (ii) the applicable Preferred Preference (i.e., the Series E Preference and/or Series D Preference, as applicable) for each such Preferred Share will equal (I) (A) the applicable Original Issue Price of such Preferred Share plus (B) interest on the applicable Original Issue Price at the rate of six percent (6%) per year, compounding annually, from the Issuing Date; plus (II) an amount equal to the declared but unpaid dividends on such class of Preferred Share; less (III) the amount of any Dividend Preference previously and actually paid on such class of Preferred Share, and (iii) the holders of such class of Preferred Shares shall receive, at such closing, with respect to each such Preferred Share held by them at the closing of the Liquidation, the applicable Preferred Preference for such share as modified under clause (ii) above plus the amount payable per such Preferred Share, on an as-converted basis, under Article 8(b).

(d) Deemed Liquidation.

(1) General. For purposes of this Article 8, in addition to any Liquidation, or dissolution or winding up of the Company under applicable law, the Company shall, unless otherwise determined by the Majority Investors and the Majority E Holders, be deemed to be wound up in the event of (each a “**Deemed Liquidation**”): (i) the sale of all or substantially all of the intellectual property or assets or shares of the Company or (ii) the acquisition of the Company by another entity by means of any transaction or series of related transactions or any reorganization, merger or consolidation with or into any other corporate entity as a result of which the shares of the Company outstanding immediately prior to such transaction will not represent, or are not converted into or exchanged for shares that represent, immediately following such transaction, fifty percent (50%) or more of the outstanding voting power of the Company or the surviving entity, in each case (i) or (ii) (an “**M&A Event**”) whether by a transaction or a series of related transactions; or (iii) any distribution of a dividend or a series of dividends as a result of the sale or worldwide exclusive license of all or substantially all of the intellectual property or assets of the Company.

(2) Allocation of Escrow and Contingent Consideration. In the event of a Deemed Liquidation pursuant to Article 8(d)(1), if any portion of the consideration payable to the Shareholders is payable only upon satisfaction of contingencies (the “**Additional Consideration**”), then (a) the portion of such consideration that is not Additional Consideration (such portion, the “**Initial Consideration**”) shall be allocated among the Shareholders in accordance with Article 8(a) and (if relevant) Article 8(b) as if the Initial Consideration were the only consideration payable in connection with such Deemed

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Liquidation; and (b) any Additional Consideration which becomes payable to the Shareholders upon satisfaction of such contingencies shall be allocated among the Shareholders in accordance with Article 8(a) and (if relevant) Article 8(b) after taking into account the previous payment of the Initial Consideration as part of the same transaction. For the purposes of this Article 8(d)(2), consideration placed into escrow or retained as holdback to be available for satisfaction of indemnification or similar obligations in connection with such Deemed Liquidation shall be deemed to be Additional Consideration.

(3) Non-Cash Proceeds. In the event of a Deemed Liquidation, if the consideration received by the Company is in whole or in part other than cash, the amount deemed paid or distributed to the Shareholders shall be the value of the property, rights or securities paid or distributed to such Shareholders. The value of such property, rights or securities shall be determined in good faith by the Board.

(e) Definitive Agreements. The definitive agreements by which the Company is bound in connection with a Deemed Liquidation shall be effected shall provide that the proceeds from such transaction shall be distributed in accordance with Article 8(d); it being understood that such proceeds will not include any payments which may be paid to the employees and/or service providers of the Company following the closing in connection with their employment/engagement, in the nature of salaries, bonuses, options, and retention payments (the “**Retention Consideration**”).

(f) Non-Compliance. In the event the requirements of this Article 8 are not complied with, the Company shall forthwith either:

(i) cause such closing to be postponed until such time as the requirements of this Article 8 have been complied with; or

(ii) cancel such transaction, in which event the rights, preferences and privileges of the holders of the Preferred Shares shall revert to and be the same as such rights, preferences and privileges existing immediately prior to the date of the first notice referred to above.

(g) Notice. The Company shall give each holder of record of Preferred Shares written notice of such impending transaction not later than fourteen (14) days prior to the Shareholders’ meeting called to approve such transaction, or fourteen (14) days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such transaction. The first of such notices shall describe the material terms and conditions of the impending transaction and the provisions of this Article 8, and the Company shall thereafter give such holders prompt notice of any material changes. The transaction shall in no event take place sooner than fourteen (14) days after the Company has given the first notice provided for herein or sooner than ten (10) days after the Company has given notice of any material changes provided for herein; provided, however, that such periods may be shortened upon the written consent of the Majority Investors.

CONVERSION OF PREFERRED SHARES INTO ORDINARY SHARES

9. The holders of the Preferred Shares shall have conversion rights as follows (the “**Conversion Rights**”):

(a) Optional Conversion. Each Preferred Share shall be convertible at the option of the holder thereof, at any time after the date of issuance of such share, at the Office of the Company, into such number of fully paid and non-assessable Ordinary Shares as is determined by dividing the applicable Original Issue Price by the applicable Conversion Price (as defined in and subject to adjustment under Article 9(d)) at the time in effect for such share.

(b) Automatic Conversion. Each Preferred Share shall automatically be converted into such number of fully paid and non-assessable Ordinary Shares as is determined by dividing the applicable Original Issue Price by the applicable Conversion Price (subject to adjustment under Article 9(d)) at the time in effect for such share, upon the earlier to occur of the following (each an “**Automatic Conversion**”): (i) with respect to (A) the Series D Preferred Shares, the date specified by vote or written consent or agreement of the Majority Investors (B) the Preferred E Shares, the date specified by vote or written consent or agreement of the Majority E Holders and (C) with respect to all of the remaining (non-Series D) classes of Preferred Shares and excluding the Preferred E Shares, (the “**Remaining Preferred**”) the holders of the majority of such Remaining Preferred voting as a single class on an as-converted basis (and excluding, in any case, the Preferred E Shares); (the “**Remaining Preferred Majority**”) and (ii) without derogating from the provisions of Article 9(d)(iii), which shall apply to such event subject to and in accordance with the terms of such Article, upon the closing of the Company’s offer, in the United States, of its Ordinary Shares to the public in a firm underwriting pursuant to a registration statement under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) or any other securities laws (the “**IPO**”), resulting in gross proceeds to the Company of at least US\$22,000,000 (the “**QPO**”);

Without derogating from the generality of the aforementioned, upon Closing or Deferred Closing (as such terms are defined under the Series E-1 SPA), as applicable, such number of Series E Preferred Shares held by each Eligible E Investor which equals the Applicable Portion (as defined below) shall be automatically converted into such number of Series E-1 Preferred Shares pursuant to a conversion ratio of 1:1 (in addition to the Series E-1 Preferred Shares purchased thereby upon Closing or Deferred Closing, as applicable). “**Applicable Portion**” means, with respect to each Eligible E Investor, such number of Series E Preferred Shares calculated by dividing (A) the total investment amount paid by such Eligible E Investor to the Company pursuant to the Series E SPA, provided however that in no event will such amount exceed the aggregate purchase price invested by such Eligible E Investor under the Series E-1 SPA; by (B) the Original Issue Price of each Series E-1 Preferred Share.

For example: if a certain Eligible E Investor invested under the Series E SPA a total amount of US\$ 2,000,000 and also further invested a total amount of US\$ 1,000,000 under the Series E-1 SPA, then upon closing of the Series E-1 SPA, a total number of 78,641 Series E Preferred Shares held by such Eligible E Investor shall be automatically converted into 78,641 Series E-1 Preferred Shares (i.e., since $US\$ 2,000,000 > US\$ 1,000,000$, then the Applicable Portion = $US\$1,000,000/US\$12.716 = 78,641$).

(c) Mechanics of Conversion. A holder of Preferred Shares seeking (in the case of a conversion at such holder’s option) to convert the same into Ordinary Shares, shall surrender the certificate or certificates therefor, duly endorsed, at the Office of the Company, and shall give written notice by mail, postage prepaid, to the Company at the Office, of the election to convert the same and shall state therein the name or names of any nominee for such holder in which the certificate or certificates for Ordinary Shares are to be issued. Such conversion (in the case of a conversion at such holder’s option) shall be deemed to have been

made immediately prior to the close of business on the date of such surrender of the certificate representing the Preferred Shares to be converted, and the person or persons entitled to receive the Ordinary Shares issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Ordinary Shares as of such date. If the conversion is in connection with an Automatic Conversion, then the conversion shall be deemed to have taken place automatically regardless of whether the certificates representing such shares have been tendered to the Company, but from and after such conversion any such certificates not tendered to the Company shall be deemed to evidence solely the Ordinary Shares received upon such conversion and the right to receive a certificate for such Ordinary Shares. If the conversion is in connection with a QPO, the conversion may, at the option of any holder tendering Preferred Shares for conversion, be conditioned upon the closing with the underwriter of the sale of securities pursuant to such offering, in which event the person(s) entitled to receive the Ordinary Shares issuable upon such conversion of the Preferred Shares shall not be deemed to have converted such Preferred Shares until immediately prior to the closing of such QPO. The Company shall, as soon as practicable after the conversion and tender of the certificate for the Preferred Shares converted, issue and deliver at such Office to such holder of Preferred Shares or to the nominee or nominees of such holder of Preferred Shares, a certificate or certificates for the number of Ordinary Shares to which such holder shall be entitled as aforesaid.

(d) Conversion Price and Adjustments. The “**Conversion Price**” with respect to each Preferred Share shall initially be equal to the applicable Original Issue Price of such Preferred Share, but shall be subject to adjustment under this Article 9(d). The Conversion Price shall be adjusted from time to time as follows:

(i) Subdivision or Combination. If the Company subdivides or combines its Ordinary Shares, the Conversion Price shall be proportionately reduced, in case of a subdivision of shares, as at the effective date of such subdivision, or if the Company fixes a record date for the purpose of so subdividing, as at such record date, whichever is earlier, or shall be proportionately increased, in the case of a combination of shares, as the effective date of such combination, or, if the Company fixes a record date for the purpose of so combining, as at such record date, whichever is earlier.

(ii) Dividend Issuances. Without derogating from Article 7, if the Company at any time pays a dividend, with respect to its Ordinary Shares only, payable in additional Ordinary Shares or other securities or rights convertible into, or entitling the holder thereof to receive directly or indirectly, additional Ordinary Shares, without any comparable payment or distribution to the holders of Preferred Shares, then the Conversion Price shall be adjusted as at the date the Company fixes as a record date for the purpose of receiving such dividend (or if no such record date is fixed, as at the date of such payment) to that price determined by multiplying the applicable Conversion Price in effect immediately prior to such record date (or if no record date is fixed then immediately prior to such payment) by a fraction (a) the numerator of which shall be the total number of Ordinary Shares issued and outstanding immediately prior to the payment of such dividend and (b) the denominator of which shall be the total number of Ordinary Shares issued and outstanding immediately prior to the payment of such dividend plus the number of Ordinary Shares issuable in payment of such dividend or distribution.

Notwithstanding the foregoing, (a) if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the applicable Conversion Price shall be recomputed accordingly as of the close of

business on such record date and thereafter the Conversion Price shall be adjusted pursuant to this subsection (ii) as of the time of actual payment of such dividends or distributions; and (b) no such adjustment shall be made if the holders of Preferred Shares simultaneously receive a dividend or other distribution of Ordinary Shares in a number equal to the number of Ordinary Shares as they would have received if all outstanding Preferred Shares had been converted into Ordinary Shares on the date of such event.

(iii) Price Protection for Investors.

(A) Until immediately following the earlier of a QPO and a Deemed Liquidation, in the event (and in each such event) of (1) a Deemed Liquidation or (2) the issuance or grant of New Shares by the Company (including, for the avoidance of doubt, (A) any issuance of New Shares in or as part of a public offering or in connection therewith, and (B) the transactions constituting the Deemed Liquidation) (each of (1) and (2), an “**Issuance**”), except for an Issuance of Exempt Securities, and unless otherwise approved by the Majority Investors, the Conversion Price applicable to:

(i) the Series D-1 Preferred Shares (the “**Investors’ Conversion Price**”) shall be reduced (and, for the avoidance of doubt, in no event increased) to a price equal to a 30% discount on the lowest price per share for which the Company issued New Shares in such transaction (such Issuance price, the “**New Price**”, and such adjusted Investors’ Conversion Price, as adjusted from time to time hereunder, the “**Adjusted Investors’ Conversion Price**”); provided however that for the purposes of this clause, the New Price shall be calculated, at the time of such transaction, as if the fully-diluted share capital of the Company included only 50% of the Warrant Shares actually issued and/or issuable;

(ii) the Warrant Shares (the “**Warrant Shares Conversion Price**”) shall be reduced (and, for the avoidance of doubt, in no event increased) so that it equals the product of (x) the Adjusted Investors’ Conversion Price as determined under clause (A)(i) above times (y) 1.15 (the “**Adjusted Warrant Shares Conversion Price**”).

For the avoidance of doubt, the price protection mechanism set forth in Article 9(d)(iii)(A) above shall also apply to any issuances or deemed issuances of New Shares as a result of reductions which may apply to the price per share and/or Conversion Price of the Series E-1 Preferred Shares pursuant to Article 9(d)(iii)(E) as a result of the issuance or deemed issuance of other New Shares.

(B) For the purpose of this Article 9(d), the consideration of any New Shares shall be calculated at the U.S. dollar equivalent thereof, on the day such New Shares are issued or deemed to be issued pursuant to Article 9(l).

(C) “**New Shares**” shall mean shares of whatever class issued or deemed to have been issued pursuant to Article 9(l) by the Company other than the following exempt securities (the “**Exempt Securities**”): (i) shares or options to be issued to employees, consultants, Directors or observers of the Company (but not including (except for the purpose of this Article 9(d)(iii)(C)(iv) below), a grant, reservation and/or issuance to Amir Weisberg or Noam Emanuel (unless otherwise will be approved by the Lead Investor, in which case such grant of securities will be deemed as Exempt Securities (“**Key Shareholder’s Securities**”))), under the Company’s share option plan approved by the Company’s board (“**ESOP**”); notwithstanding the foregoing to the contrary, however, solely for purposes of

Article 9(d)(v) below, the Key Shareholders' Securities will be deemed as Exempt Securities, (ii) shares issued pursuant to the conversion of the Preferred Shares, (iii) Ordinary Shares, issued or issuable, as a share dividend or upon any subdivision of Ordinary Shares, or pursuant to any event for which adjustment is made pursuant to Sub-Articles 9(d)(i), 9(d)(ii), d(iii), d(iv) or 9(f), in which in each case all of the security holders are treated proportionately with the amount of securities they hold, (iv) the issuance of securities pursuant to the conversion or exercise of convertible or exercisable securities, options or warrants, outstanding as of the Closing, in accordance with their respective terms in effect as of the Closing, (v) securities issued in an IPO — provided, however, that for the purposes of Articles 9(d)(iii)(A) and 9(d)(iii)(E) herein, the foregoing securities issued in an IPO shall not be deemed as Exempt Securities, and (vi) any securities issued or granted to an investor which is deemed by the Board, in good faith, as a strategic investor and is approved by the Lead Investor. For the avoidance of doubt, the holders of the Series D-1 Preferred Shares and Series D-2 Preferred Shares have waived their rights to adjust their Investors' Conversion Price pursuant to this Article 9(d) as a result of the issuance of Series D-3 Preferred Shares at the Series D-3 Original Issue Price set forth herein (US\$ 1.1036) pursuant to the Securities Purchase Agreement signed between the Company and certain investors on August 24, 2016 (the "**Series D-3 SPA**"), and accordingly, solely for the purpose of Article 9(d)(iii)(A) (price protection for investors), and solely for the purpose of the capital raise pursuant to the Series D-3 SPA, the holders of Series D-3 Preferred Shares acquired under the Series D-3 SPA shall be deemed by the Board as strategic investors approved by the Lead Investor.

(D) In the event of a Deemed Liquidation, there shall be deemed to have been an Issuance by the Company at the price per share of Company shares reflected by the valuation attributed to the Company in such transaction, on an as-converted and fully-diluted basis (but not including for such purpose the additional securities to be issued by the Company in conjunction with such transaction pursuant to this Article 9(d)(iii)), provided however that for the purposes of this Article 9(d)(iii), the New Price shall be calculated, at the time of such transaction, as if the fully-diluted share capital of the Company included only 50% of the Warrant Shares actually issued and/or then issuable, as provided in Article 9(d)(iii)(A)(i).

(E) Until immediately following the IPO, in the event of the issuance of ordinary shares by the Company to the public in a public offering (except for an issuance of Exempt Securities), and unless otherwise approved by the holders of at least 50% of the issued and outstanding Series E-1 Preferred Shares (excluding Series E-1 Preferred Shares held by Shareholders who also hold other classes of Shares), the Conversion Price applicable to the Series E-1 Preferred Shares (the "**Preferred E-1 Conversion Price**") shall be reduced (and, for the avoidance of doubt, in no event increased) to a price equal to the lowest price per share for which the Company issued ordinary shares to the public in such IPO (regardless of any discounts and warrants and it being further understood for all intents and purposes that the reduction of the Preferred E-1 Conversion Price shall **not** apply with respect to any changes to the Adjusted Investors' Conversion Price or the Adjusted Warrant Shares Conversion Price) (the "**IPO Price**") multiplied by 80% (the "**E-1 New Price**", and such adjusted Preferred E-1 Conversion Price, as adjusted from time to time hereunder, the "**Adjusted Preferred E-1 Conversion Price**"); For the avoidance of doubt, the price protection mechanism set forth in Article 9(d)(iii)(E) above may be triggered and implemented only once, with respect to the lowest price per share for which the Company issued New Shares to the public in such IPO, and it shall **not** apply to any issuance or deemed issuance as a result of reductions which may apply to the price per share and/or Conversion

Price of any other class(es) of shares (including but not limited to pursuant to Article 9(d)(iii)(A)) as a result of the issuance or deemed issuance of New Shares.

For example: if the Original Issue Price of the Series E-1 Preferred Shares and the Preferred E-1 Conversion Price immediately before the IPO is US\$ 10.00 and the IPO Price is US\$ 11.00, the Adjusted Preferred E-1 Conversion Price shall be US\$ 8.80. If the IPO Price is or exceeds US \$12.50, then no adjustment will be made to the Preferred E-1 Conversion Price.

(iv) [reserved].

(v) Adjustment of Conversion Price for Certain Dilutive Issuances with respect to the Preferred E Shares, Series D-3 Preferred Shares, Series C-1 Preferred Shares, Series C-2 Preferred Shares, Series B-1 Preferred Shares, Series B Preferred Shares and the Series A-1 Preferred Shares. If, at any time, the Company shall issue any New Shares for no consideration or at a price per share less than the applicable Conversion Price of the Preferred E Shares, Series D-3 Preferred Shares, the Series C-2 Preferred Shares, the Series C-1 Preferred Shares, Series B-1 Preferred Shares, Series B Preferred Shares and the Series A-1 Preferred Shares (the “**Reduced Price**”) then in each such event, the Conversion Price of the Preferred E Shares, Series D-3 Preferred Shares, the Series C-1 Preferred Shares, Series C-2 Preferred Shares, Series B-1 Preferred Shares, Series B Preferred Shares and the Series A-1 Preferred Shares, as the case may be, unless otherwise determined by the majority holders of such class (as applicable), will be reduced, for no additional consideration, in accordance with the following broad-based weighted average formula:

$$CP = \frac{(A \times P') + (C \times P'')}{A + C}$$

where CP is the reduced Conversion Price; A is the number of Ordinary Shares, on a fully-diluted, as-converted basis (as if all granted Options and Convertible Shares had been fully exercised and/or fully converted into Ordinary Shares, as of such date), outstanding immediately prior to the relevant issuance of the New Shares; P' is the Conversion Price applicable to the Preferred E Shares, the Series D-3 Preferred Shares, the Series C-2 Preferred Shares, Series C-1 Preferred Shares, Series B-1 Preferred Shares, Series B Preferred Shares, and the Series A-1 Preferred Shares, as the case may be, in effect immediately prior to such issuance; C is the number of New Shares; and P'' is the Reduced Price.

(e) Other Distributions. In the event the Company declares a distribution payable in securities of other persons, evidences of indebtedness issued by the Company or other persons, assets (excluding cash dividends) or options or rights not referred to in Sub-Article (d)(ii), then, in each such case, the holders of the Preferred Shares shall be entitled to receive such distribution, in respect of their holdings on an as-converted basis as of the record date for such distribution.

(f) Recapitalization. If at any time or from time to time there shall be a recapitalization of the Ordinary Shares (other than a subdivision, combination, or merger transaction provided for elsewhere in this Article or Article 10), provision shall be made so that the holders of the Preferred Shares shall thereafter be entitled to receive upon conversion of the Preferred Shares the number of Ordinary Shares or other securities or property of the

Company or otherwise, to which a holder of Ordinary Shares deliverable upon conversion of the Preferred Shares immediately prior to such recapitalization would have been entitled. In any such case, appropriate adjustments shall be made in the application of the provisions of this Article 9 with respect to the rights of the holders of the Preferred Shares after the recapitalization to the end that the provisions of this Article 9 (including adjustments of the Conversion Price then in effect and the number of shares issuable upon conversion of the Preferred Shares) shall be applicable after that event as nearly equivalent as may be practicable.

(g) No Impairment. The Company will not, by amendment of these Articles or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder in this Article 9 by the Company, (i) in respect of, touching or concerning, the Series D Preferred Shares and/or the holders thereof, without the consent of the Majority Investors, provided that if any of such action is in respect of, touching or concerning, only the Series D-3 Preferred Shares (but not or not substantially equally touching or concerning other Series D Preferred Shares and/or the holders thereof, *mutatis mutandis*), without also obtaining the consent of the holders of Series D-3 Preferred Shares holding the majority of the issued and outstanding Series D-3 Preferred Shares (provided that such majority consent of the holders of Series D-3 Preferred Shares shall not be unreasonably withheld and provided further that any exercise of any existing right of any Shareholder, under these Articles and under that certain Securities Purchase Agreement dated February 4, 2016 by and among the Company, the Lead Investor and other parties (including, without limitation, any existing right of any Shareholder under Article 9 herein) (collectively, “**Additional Agreements**”) shall not be deemed as an action that is touching and/or concerning and/or having an adverse effect on the Series D-3 Preferred Shares and/or the holders thereof, and in the event that the holders of Series D-3 Preferred Shares will not be equally affected by an event solely due to the fact that the holders of D-1 Preferred Shares and D-2 Preferred Shares have existing rights under these Articles and the Additional Agreements, then such event which caused the adverse effect will not require the specific additional consent of the D-3 Preferred holders pursuant to this clause (g)(i), (ii) in respect of adversely changing the rights attached to the Preferred E Shares, unless such change applies proportionally to all of the classes of shares of the Company, without the consent of the Majority E Holders, and (iii) in respect of, touching or concerning, any class of the Remaining Preferred and/or the rights granted to the holders thereof herein, without the consent of the Remaining Preferred Majority, but will at all times in good faith assist in the carrying out of all the provisions of this Article 9 and in taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Preferred Shares against impairment.

(h) No Fractional Shares. No fractional shares shall be issued upon conversion of the Preferred Shares, and the number of Ordinary Shares to be issued shall be rounded to the nearest whole share.

(i) Certificate of Adjustments. Upon the occurrence of each adjustment or readjustment of a Conversion Price pursuant to this Article 9, the Company, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Preferred Shares a certificate setting forth each adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based, which shall be provided together with an updated capitalization table

of the Company prepared on an as-converted and fully-diluted basis. The Company shall furnish or cause to be furnished to such holder a like certificate setting forth (A) such adjustment or readjustment, (B) the Conversion Price, as the case may be, at the time in effect, and (C) the number of Ordinary Shares and the amount, if any, of other property which at the time would be received upon the conversion of each type of Preferred Share.

(j) Notice of Record Date. In the event of any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (including a cash dividend) or other distribution, any right to subscribe for, purchase or otherwise acquire any shares of any class or any other securities or property, or to receive any other right, the Company shall mail to each holder of Preferred Shares, at least fourteen (14) days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and the amount and character of such dividend, distribution or right.

(k) Reservation of Shares. The Company shall at all times reserve and keep available out of its authorized but unissued Ordinary Shares, solely for the purpose of effecting the conversion of the Preferred Shares, such number of its Ordinary Shares as shall from time to time be sufficient to effect the conversion of all issued and outstanding Preferred Shares, including for such purpose, all Warrant Shares which may be acquired pursuant to the exercise of Warrants; and if at any time the number of authorized but unissued Ordinary Shares shall not be sufficient to effect the conversion of all such Preferred Shares, in addition to such other remedies as shall be available to the holders of such Preferred Shares, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued Ordinary Share capital to such number of shares as shall be sufficient for such purposes.

(l) Options or Convertible Shares. “**Convertible Shares**” shall mean any evidences of indebtedness, shares or other securities convertible into or exchangeable for Ordinary Shares. “**Options**” shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Ordinary Shares or Convertible Shares. In the event the Company at any time or from time to time after the date of the filing of these Articles shall issue any Options or Convertible Shares (other than Exempt Securities) or shall fix a record date for the determination of holders of any class of shares entitled to receive any such Options or Convertible Shares, then the maximum number of Ordinary Shares (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Shares, the conversion or exchange of such Convertible Shares or, in the case of Options for Convertible Shares, the exercise of such Options and the conversion or exchange of the underlying securities, shall be deemed to have been issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date, and (if applicable under these Articles) the Conversion Price shall be decreased accordingly, provided that in any such case in which shares are deemed to be issued:

(i) so long as the Conversion Price decrease was implemented as contemplated above in this Article 9, and subject to clause (ii) below, no further decrease of the Conversion Price of any Preferred Share shall be made upon the subsequent issue of Convertible Shares or Ordinary Shares in connection with the exercise of such Options or conversion or exchange of such Convertible Shares;

(ii) if such Options or Convertible Shares by their terms provide, with the passage of time or otherwise, for any change in the consideration payable to the Company or in the number of Ordinary Shares issuable upon the exercise, conversion or exchange thereof, the Conversion Price and any subsequent adjustments based thereon shall be recomputed to reflect such change as if such change had been in effect as of the original issue thereof (or upon the occurrence of the record date with respect thereto);

(iii) no readjustment pursuant to clause (ii) above shall have the effect of increasing the Conversion Price of a Preferred Share to an amount above the Conversion Price that would have resulted from any other issuances of New Shares and any other adjustments provided for herein between the original adjustment date and such readjustment date;

(iv) upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Shares which shall not have been exercised, the Conversion Price of each Preferred Share computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto) and any subsequent adjustments based thereon shall, upon such expiration, be recomputed as if:

(A) in the case of Convertible Shares or Options for Ordinary Shares, the only New Shares issued were the Ordinary Shares, if any, actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Shares and the consideration received therefor was the consideration actually received by the Company for the issue of such exercised Options plus the consideration actually received by the Company upon such exercise or for the issue of all such Convertible Shares which were actually converted or exchanged, plus the additional consideration, if any, actually received by the Company upon such conversion or exchange, and

(B) in the case of Options for Convertible Shares, only the Convertible Shares, if any, actually issued upon the exercise thereof were issued at the time of issue of such Options, and the consideration received by the Company for the New Shares deemed to have been then issued was the consideration actually received by the Company for the issue of such exercised Options, plus the consideration deemed to have been received by the Company (determined pursuant to this Article 9(l) upon the issue of the Convertible Shares with respect to which such Options were actually exercised); and

(v) if such record date shall have been fixed and such Options or Convertible Shares are not issued on the date fixed therefor, the adjustment previously made in the Conversion Price which became effective on such record date shall be canceled as of the close of business on such record date, and thereafter the Conversion Price shall be adjusted pursuant to this paragraph as of the actual date of their issuance.

10. **MERGER/CONSOLIDATION**

Without derogating from Article 11(d), and unless otherwise agreed by the Majority Investors and the Remaining Preferred Majority:

(a) Subject to Article 10(d), in case of any merger of the Company with or into another corporation (even if such merger is an M&A Event), as a result of which holders of Preferred Shares receive equity in a private corporation in consideration for the merger (in

this Article, “merger”), the Company or such successor corporation, as the case may be, shall, without payment by the holders of Preferred Shares of any additional consideration therefor, issue to the holders of Preferred Shares new preferred shares of a class, in the case of each class of Preferred Shares, with the same rights, preferences, privileges and restrictions granted to and imposed on the Preferred Shares in these Articles (all such classes collectively, the “**New Preferred Shares**”), including any rights of the Lead Investor hereunder, but providing that the holder of the New Preferred Shares shall have the right to exercise the conversion rights granted by such New Preferred Shares and procure upon such exercise of such conversion rights, in lieu of each Ordinary Share therefor issuable upon exercise of the Conversion Rights of the Preferred Shares, the kind and amount of shares of stock, other securities, money and assets receivable upon such merger by a holder of one Ordinary Share issuable upon exercise of the Conversion Rights had they been exercised immediately prior to such reclassification, change, consolidation, merger, sale or transfer. The provisions of this Article 10(a) shall similarly apply to successive mergers.

(b) The Company shall give each holder of record of Preferred Shares written notice of such impending transaction under Article 10(a) not later than ten (10) days prior to the Shareholders’ meeting called to approve such transaction, or ten (10) days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such transaction. The first of such notices shall describe the material terms and conditions of the impending transaction and the provisions of this Article 10, and the Company shall thereafter give such holders prompt notice of any material changes. The transaction shall in no event take place sooner than fourteen (14) days after the Company has given the first notice provided for herein or sooner than ten (10) days after the Company has given notice of any material changes provided for herein; provided, however, that such periods may be shortened upon the written consent of the Majority Investors.

(c) For the avoidance of doubt, this Article 10 shall not apply to a merger in which the Series D Preferred Shareholders receive their entire Series D Preference in such transaction in liquid proceeds (cash and/or publicly-traded securities).

(d) The provisions of this Article 10 are in addition to the other provisions hereof, including but not limited to Articles 8 and 9.

Nothing in this Article 10 shall prevent Preferred Shareholders from exercising the rights to convert the Preferred Shares into Ordinary Shares prior to the conclusion of a transaction contemplated herein, in which case the provisions of Article 10 shall not apply to such converted Preferred Shares.

VOTING RIGHTS

11. (a) The holder of each share of the Company shall be entitled to notice of any Shareholders’ meeting in accordance with these Articles.

(b) The holder of any outstanding Ordinary Share shall have the right to one vote for each Ordinary Share held, with respect to any question upon which holders of Shares have the right to vote, except to the extent that these Articles or applicable law provide that only holders of Preferred Shares (or one or more classes thereof) shall be entitled to vote on such question.

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(c) The holder of any Preferred Share shall have the right to one vote for each Ordinary Share into which such Preferred Share could then be converted (with any fractional share determined on an aggregate conversion basis being rounded to the nearest whole share), and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of Ordinary Shares, and shall be entitled to notice of any Shareholders’ meeting in accordance with these Articles (including but not limited to a meeting of the holders of the Preferred Shares as a whole, or such class of Preferred Shares), and shall be entitled to vote, together with holders of Ordinary Shares, with respect to any question upon which holders of Ordinary Shares have the right to vote, and any question upon which holders of Preferred Shares as a whole, or such class of Preferred Shares, have the right to vote.

(d) The foregoing or anything else herein notwithstanding, including but in no way limited to Article 67A, (i) the holders of the Series D Preferred Shares shall be entitled to vote, together, as a separate class on, and the approval of the Majority Investors shall be required for, any alteration of, waiver regarding, or change to (in each case, in whole or in part) any right, preference or privilege of the Series D Preferred Shares (including, for the avoidance of doubt, (A) any amendment, repeal or modification of any rights attached to the Series D Preferred Shares or any provision of these Articles resulting in or amounting to such, (B) the creation of any securities which are more senior to, or are otherwise in priority to, the Series D Preferred Shares, it being clarified that, notwithstanding anything else to the contrary set forth herein, taking the action under this clause (B) shall require the consent of the holders of the Series D Preferred Shares holding at least 60% of the issued and outstanding Series D Preferred Shares, on an as converted basis; provided however that the Series D Preferred Shares held by any shareholder (or its Permitted Transferee) investing in the financing that calls for the creation of such senior/priority securities beyond its or their pre-emptive rights pursuant to Article 14, shall not be counted towards achieving such majority, (C) the conversion of the entire class of Series D Preferred Shares to Ordinary Shares (except for an Automatic Conversion under Article 9(b)(ii) (*i.e.* a QPO)), and/or (D) any other decisions hereunder or pursuant to applicable law requiring the approval of, or class vote by, the Series D Preferred Shares) (each, a “**Preferred D Vote**”), and (ii) with respect to each Preferred D Vote, such vote shall be subject to the approval of the Majority Investors, and in the event that such approval shall not be obtained, the foregoing action shall not be taken), which decision shall be binding on all holders of Series D Preferred Shares; provided however that solely for the purposes of item (B) above, the term “Majority Investors” shall not require the approval of the Lead Investor. The foregoing or anything else herein notwithstanding, including but in no way limited to Article 67A, the holders of the Preferred E Shares shall be entitled to vote, together, as a separate class on, and the approval of the Majority E Holders shall be required for adversely changing the rights attached to the Preferred E Shares, unless such change applies proportionally to all of the classes of shares of the Company (in which case, the consent of the Majority E Holders will not be required). For the avoidance of doubt, it is hereby agreed that any class of Preferred Shares (including, without limitation, Preferred E Shares and Series D Preferred Shares) shall vote together with the Ordinary Shares of the Company, as a single class and not as a separate class over all matters and in all shareholders meetings, except as required by law and these Articles. For the purposes of voting rights hereunder, the Series D-1 Preferred Shares, the Series D-2 Preferred Shares and Series D-3 Preferred Shares shall be considered a single class, and shall vote together as a single class on all Preferred D Votes and/or any Class Meetings of the Series D Preferred Shares. Notwithstanding the above and other provisions, if a Preferred D Vote is only in respect of, touching or concerning, only the Series D-3 Preferred Shares (but not or

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not substantially equally touching or concerning other Series D Preferred Shares and/or the holders thereof, *mutatis mutandis*), the consent of the holders of Series D-3 Preferred Shares holding the majority of the issued and outstanding Series D-3 Preferred Shares shall also be required, provided that such majority consent shall not be unreasonably withheld, and provided further that any exercise of any existing right, of any Shareholder, under this Articles and/or the Additional Agreements (including, without limitation, any right of any Shareholder under Article 9 herein) shall not be deemed as an action that is touching and/or concerning and/or having an adverse effect on the Series D-3 Preferred Shares and/or the holders thereof, and in the event that the holders of Series D-3 Preferred Shares will not be equally affected by an event solely due to the fact that the holders of D-1 Preferred Shares and D-2 Preferred Shares have existing rights under these Articles and/or the Additional Agreements, then such event which caused the adverse effect will not require the additional specific consent of the D-3 Preferred holders pursuant to this sentence.

(e) Notwithstanding the provisions of Section 20(c) of the Companies Law to the contrary, (i) other than as specifically set forth in Article 11(d) and elsewhere herein, and without derogating from any rights of the holders of Series D Preferred Shares hereunder or of the holders of Preferred E Shares hereunder (to the extent required pursuant to Article 11(d) above)), a separate class vote of each class of the Preferred Shares shall not be required in order to amend or waive the rights, preferences, privileges or restrictions granted to and imposed upon any class of Preferred Shares or Ordinary Shares, respectively, it being clarified that (subject to the terms of Article 11(d)(i)(B)) under no circumstances shall any class be granted more senior rights than those of the Preferred E Shares, without the approval of the Majority Investors and the Majority E Holders, and (ii) without derogating from the rights of the Lead Investor as specifically specified in these Articles and other than as specifically set forth in Article 11(d) and elsewhere herein, in no event shall any or some of the holders of any class of Preferred Shares and/or Ordinary Shares confer upon their holders the right to any separate Class Meeting (as defined below) or interest meeting or the right to any class or interest vote.

12. AGGREGATION OF SHARES

Subject to Articles 14(e) and 30(h), and subject to, and unless otherwise required by, applicable securities law:

(a) Shares held by two or more shareholders who are Permitted Transferees may be aggregated together, unless otherwise stated herein, for the purpose of determining the availability of any rights under these Articles for such shareholders, including rights which are conditioned on the relevant shareholder holding shares representing a minimum percentage.

(b) Shares held by Aurum Group and its Permitted Transferees shall be aggregated together, for the purpose of determining the availability of any rights under these Articles for such shareholders, including rights which are conditioned on the relevant shareholder holding shares representing a minimum percentage.

(c) Shares held by the Limited Partners and their Permitted Transferees shall be aggregated together, for the purpose of determining the availability of any rights under these Articles for such shareholders, including rights which are conditioned on the relevant shareholder holding shares representing a minimum percentage.

(d) Shares held by the Series A-1 Group and its Permitted Transferees shall be aggregated together, for the purpose of determining the availability of any rights under these Articles for such shareholders, including rights which are conditioned on the relevant shareholder holding shares representing a minimum percentage.

(e) Shares held by any Provident Fund and its Permitted Transferees shall be aggregated together, for the purpose of determining the availability of any rights under these Articles for such shareholders, including rights which are conditioned on the relevant shareholder holding shares representing a minimum percentage.

(f) Shares held by the Lead Investor and its Permitted Transferees shall be aggregated together, for the purpose of determining the availability of any rights under these Articles for such shareholders, including rights which are conditioned on the relevant shareholder holding shares representing a minimum percentage.

(g) Shares held by CY Company and Master Toy and their assignees or Permitted Transferees shall be aggregated together, for the purpose of determining the availability of any rights under these Articles for such shareholders, including rights which are conditioned on the relevant shareholder holding shares representing a minimum percentage.

ALLOTMENT OF SHARES

13. Subject to the provisions of Article 14, and without derogating from any right of the Preferred Shareholders, including without limitation pursuant to Articles 9 and 11(d), the unissued shares shall be under the control of the Board of Directors, which shall have the power to allot shares or otherwise dispose of them to such persons, on such terms and conditions (including inter-alia terms relating to calls as set forth in Article 33 hereof), and either at nominal value or at a premium, or, subject to the provisions of the Companies Law, at a discount, and at such times, as the Board of Directors may think fit, and the power to give any person the option to acquire from the Company any shares, either at nominal value or at premium, or, subject as aforesaid, at a discount, during such time and for such consideration as the Board of Directors may think fit.

PRE-EMPTIVE RIGHTS

14. (a) Prior to an IPO, each (x) holder of Preferred Shares holding, at such time, at least 3% of the issued and outstanding Company Shares, on an as-converted basis, (y) holder of Shares being a Provident Fund or its Permitted Transferee, or (z) any Eligible E Holder (in this Article 14, each an “Offeree”) shall have a right of pre-emption to purchase its Pro Rata Share (as defined below) of all Equity Securities (as defined below) that the Company may, from time to time, propose to sell and issue after the adoption of these Articles. A “Pro Rata Share” shall be equal to the ratio of (A) the number of the Company’s issued and outstanding Ordinary Shares (including all Ordinary Shares issued or issuable upon conversion of the Preferred Shares) held by an Offeree immediately prior to the issuance of such Equity Securities to (B) the total number of the Company’s issued outstanding Ordinary Shares (including all Ordinary Shares issued or issuable upon conversion of the Preferred Shares) immediately prior to the issuance of such Equity Securities (including but not limited to any Warrant Shares actually issued by the Company upon exercise of the Warrants); it being understood that in no event will options or warrants held by any Offeree will be taken into consideration for purposes of calculating the Pro Rata Shares, only to the extent that such options or warrants are outstanding and have not been fully exercised. For the purposes

hereof, the term “**Equity Securities**” shall mean (i) any Ordinary Shares, Preferred Shares or other security of the Company, (ii) any security convertible, with or without consideration, into any Ordinary Shares, Preferred Shares or other security (including any option to purchase such a convertible security), (iii) any security carrying any warrant or right to subscribe to or purchase any Ordinary Shares, Preferred Shares or other security or (iv) any such warrant or right; provided however that Equity Securities shall not include Exempt Securities.

(b) If the Company proposes to issue any Equity Securities, it shall give each Offeree written notice of its intention, describing the Equity Securities, the price and the terms and conditions upon which the Company proposes to issue the same. Each Offeree shall have fourteen (14) days from the giving of such notice to agree to purchase up to its pro rata share of the Equity Securities.

(c) If the Offerees fail to exercise in full their preemptive rights within the periods specified herein, then the Company shall have ninety (90) days thereafter to sell the Equity Securities in respect of which the Offerees’ rights were not exercised, at a price and upon general terms and conditions no more favorable to the purchasers thereof than specified in the Company’s notice to the Offerees pursuant to Article 14(b) hereof. If the Company has not sold such Equity Securities within ninety (90) days of the notice provided pursuant to Article 14(b), the Company shall not thereafter issue or sell any Equity Securities, without first offering such securities to the Offerees in the manner provided in this Article.

(d) For purposes hereof, a “**Permitted Transferee**” of a Shareholder shall mean: (i) in the case of a limited partnership, its limited partners, general partners, and the limited and general partners of such limited and general partners, (ii) in the case of a corporation, its shareholders in accordance with their interest in the corporation, (iii) in the case of a limited liability company, its members and former members in accordance with their interest in the limited liability company, (iv) in the case of an individual, a first-degree family member or trust for the benefit of such individual and/or any other of his/her Permitted Transferee(s), and (v) with respect to entities that manage or co-manage, or are managed or whose account is managed by, directly or indirectly, such Shareholder and any of its limited partners, general partners and the limited and general partners of such limited and general partners and management company, (vi) with respect to a trustee of the Company’s employee share option plan, or any other trustee: a beneficiary and vice versa; provided that the Company will obtain a statement signed by the trustee pursuant to which the shares were held in trust solely for the beneficiary, (vii) with respect to Xenia Venture Capital Ltd. - the State of Israel, (viii) with respect to the FAC Partnership - each Limited Partner and also a transfer from each Limited Partner to FAC Partnership, (ix) with respect to any member of the Aurum Group, any other member of the Aurum Group, (x) with respect to any member of the Series A-1 Group and their Permitted Transferees, any other member of such Series A-1 Group and its Permitted Transferees, (vi) with respect to Aurius Trade Limited, Rami Lerner and Zvi Pugach — any of them will be deemed as a Permitted Transferee of each other; and (xi) with respect to a Provident Fund, any other affiliated Provident Fund and/or any other Institutional Entity and/or any other transferee to whom such provident fund is permitted by applicable law or regulation to make such transfer.

(e) If the offer to Offerees under this Article 14 may, if carried out, constitute, under applicable laws, an offer to the public which is subject to prospectus requirements, then such offer shall be limited, so that it is made only in a manner according to which it will not, and only to a number of Offerees which ensures that it will not, be subject to such prospectus

requirements; and in furtherance of such goal, offerings shall only be made to members of the following groups in the following order of priority: (i) the type of Offerees the offering to which, at such time, is exempted from such prospectus requirement; (ii) holders of Series D Preferred Shares pro rata among themselves; and (iii) other Offerees; with a higher priority being given, within each of the groups in clauses (ii) and (iii), to an Offeree holding a greater percentage of Company Shares than other Offerees in such group (aggregating, for such purpose, the holdings of Permitted Transferees; provided that such Permitted Transferees shall be considered as separate entities to the extent viewed as such by applicable law).

BRING-ALONG

15. (a) Prior to an IPO, subject to the Liquidation Preference rights of the Preferred E Shareholders and the Series D Preferred Shareholders and all other holders of Preferred Shares pursuant to Article 8(d) above, in the event of a proposed M&A Event or if any person or entity makes an offer to purchase all of the issued and outstanding share capital of the Company (the “**Offer**”), and the holders of more than 60% of the issued and outstanding shares of the Company, on an as-converted basis (the “**Accepting Holders**”), indicate their acceptance of such proposed M&A Event or offer, and such M&A Event or offer, as applicable, has been approved by the Board of Directors and otherwise in accordance with the provisions of these Articles (collectively, the “**Required Consent**”), then, at the closing of such transaction, all of the holders of all shares in the Company shall transfer such shares to such person or entity; provided, however, that the consideration paid by the acquirer to the Company or its shareholders (in their capacity as such, without including any Retention Consideration) shall in any event be allocated among the shareholders in accordance with Article 8 above. Each shareholder shall execute and deliver such documents and take such actions (including in shareholder votes) as may be reasonably required by the Board of Directors or the Accepting Holders. Notwithstanding the foregoing, no Shareholder shall be required to (i) make representations and warranties as to any matters other than matters that relate solely to their ownership of shares and their ability to sell such shares, (ii) become subject to any indemnification obligation which is not based on his or its representations and warranties (except to the extent that funds may be paid out of an escrow established to cover breach of representations, warranties and covenants of the Company) or (iii) become subject to any indemnification obligation which could result in liability in excess of the gross proceeds actually paid to such Shareholder in the transaction, other than in case of fraud, willful misconduct or willful misrepresentation by such Shareholder.

(b) In the event of an Offer under Article 15(a), then as soon as possible after receipt of the Offer but in any event not less than fifteen (15) days prior to the date set by the acquirer as the final date for accepting such Offer, the Company shall notify in writing each holder of Company securities of such Offer. Such notice shall set forth: (i) the name of the acquirer; and (ii) the proposed amount and form of consideration and terms and conditions of payment offered by the acquirer.

(c) In the event that a Shareholder fails to surrender its certificate in connection with the consummation of a transaction as set forth above, such certificate shall be deemed cancelled and the Company shall be authorized to issue a new certificate in the name of the Shareholder and the Board of Directors shall be authorized to establish an escrow account, for the benefit of such Shareholder into which the consideration for such securities represented by such cancelled certificate shall be deposited and to appoint a trustee to administer such account.

- (d) In the event of an Offer under Article 15(a), Section 341 of the Companies Law shall apply, except as otherwise set forth above.

REGISTERED HOLDER

16. (a) If two or more persons are registered as joint holders of a share they shall be jointly and severally liable for any calls or any other liability with respect to such share. However with respect to voting, powers of attorney and furnishing notices, the one registered first in the Register, insofar as all the registered joint holders shall not notify the Company in writing to relate to another one of them as the sole owner of the share, as aforesaid, shall be deemed to be the sole owner of the share.

(b) If two or more persons are registered together as holders of a share, each one of them shall be permitted to give receipts binding all the joint holders for dividends or other monies in connection with the share and the Company shall be permitted to pay all the dividends or other monies due with respect to the share to one or more of the joint holders, as it shall choose.

SHARE CERTIFICATE

17. (a) A Shareholder shall be entitled to receive from the Company without payment, one certificate that shall contain that number of shares registered in the name of such Shareholder, their class and serial numbering. However, in the event of joint holders holding a share, the Company shall not be obligated to issue more than one certificate to all of the joint holders, and the delivery of such a certificate to one of the joint holders shall be deemed to be a delivery to all of the joint holders.

(b) Each certificate shall carry the signature or signatures of two Directors or of those persons appointed by the Board of Directors for this purpose and the rubber stamp or the seal or the printed name of the Company.

(c) If a share certificate is defaced, lost or destroyed, it may be replaced upon payment of such fee, if any, and on such terms, if any, as to evidence and indemnity as the Board of Directors may think fit.

PLEDGE

18. The Company shall have a lien and first pledge on all the shares, not fully paid, registered in the name of any Shareholder (whether registered in his name only or together with another or others) for any amount still outstanding with respect to that share, whether presently payable or not. Such a pledge shall exist whether the dates of payment or fulfillment or execution of the obligations, debts or commitments have become due or not, and shall apply to all dividends that shall be decided upon from time to time in connection with these shares. No benefit shall be created with respect to this share based upon the rules of equity which shall frustrate this pledge, however the Board of Directors may declare at any time with respect to any share, that it is released, wholly or in part, temporarily or permanently, from the provisions of this Article.

19. The Company may sell, in such manner and at such time as the Board of Directors thinks fit, any of the pledged shares, but no sale shall be made unless the date of payment of the monies or a part thereof has arrived, or the date of fulfillment and performance of the

obligations and commitments in consideration of which the pledge exists has arrived, and after a written request has been furnished to the Shareholder or person who has acquired a right in the shares, which sets out the amount or obligation or commitment due from him and which demands their payment, fulfillment or execution, and which informs the person of the Board of Director's desire to sell the shares in the event of non-fulfillment of the notice, and the person has not fulfilled his obligation pursuant to the notice within seven days after the notice had been sent to him.

20. The net proceeds of such sale shall be applied in payment of such sum due to the Company or to the fulfillment of the obligation or commitment, and the remainder (if there shall be any) shall be paid to the Shareholder or to the person who has acquired a right in the share sold pursuant to the above.

21. After execution of a sale as aforesaid, the Board of Directors shall be permitted to sign or to appoint someone to sign a deed of transfer of the sold shares and to register the buyer's name in the Register as the owner of the sold shares and it shall not be the obligation of the buyer to supervise the application of monies nor will his right in the shares be affected by a defect or illegality in the sale proceedings after his name has been registered in the Register with respect to those shares.

The sole remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

TRANSFER OF SHARES AND THE MANAGEMENT THEREOF

22. Any transfer of shares shall be subject to the approval of the Board of Directors, which approval shall not be unreasonably withheld, provided that the transferor and transferee have complied with all relevant provisions of these Articles. If the Board of Directors shall make use of its powers in accordance with this Article and refuses to register a transfer of shares, it must inform the transferee of its refusal and the reason for such refusal, within 15 days of the day the deed of transfer had been furnished to the Company.

23. Each transfer of shares shall be made in writing in the form appearing herein below, or in a similar form, or in any form as determined by the Board of Directors from time to time, such form to be delivered to the Office together with the transferred share certificates and any other proof the Board of Directors shall require, if they shall so require, in order to prove the title of the transferor.

Deed of Transfer of Shares

I, _____ of _____ in consideration of the sum of NIS _____ (New Israeli Shekels) paid to me by _____, of _____ (hereinafter called the "Transferee") do hereby transfer to the Transferee () share (or shares) having nominal value of NIS _____, in PolyPid Ltd., to hold unto the Transferee, its executors, administrators, and assigns, subject to the several conditions on which I held the same at the time of the execution hereof; and I, the Transferee, do hereby agree to take the said share (or shares) subject to the conditions aforesaid. As witness we have hereunto set our hands the _____ day of _____.

24. The deed of share transfer shall be executed both by the transferor and transferee, and the transferor shall be deemed to remain a holder of the share until the name of the transferee is entered into the Register in respect thereof.
25. The Company shall be permitted to demand a fee for registration of a transfer, at a reasonable rate as to be determined by the Board of Directors from time to time.
26. The Register may be closed at such dates and for such other periods as determined by the Board of Directors from time to time, upon the condition that the Register shall not be closed for more than 15 days every year.
27. Upon the death of a Shareholder the remaining holders (in the event that the deceased was a joint holder in a share) or the administrators or executors or heirs of the deceased (in the event the deceased was the sole holder of the share or was the only one of the joint holders of the share to remain alive) shall be recognized by the Company as the sole holder of any title to the shares of the deceased. However, nothing aforesaid shall release the estate of a joint holder of a share from any obligation with respect to the share that he held jointly with any other holder.
28. Any person becoming entitled to a share in consequence of the death or bankruptcy or liquidation of a Shareholder shall, upon such evidence being produced as may from time to time be required by the Board of Directors, have the right, either to be registered as a Shareholder in respect of the share upon the consent of the Board of Directors or, instead of being registered himself, to transfer such share to another person, subject to the provisions contained in these Articles with respect to transfers.
29. A person becoming entitled to a share because of the death of a Shareholder shall not be entitled to receive notices with respect to Company meetings or to participate or vote therein with respect to that share, or aside from the aforesaid, to use any right of a Shareholder, until he has been accepted as a Shareholder with respect to that share.

RIGHT OF FIRST REFUSAL

30. (a) Any holder of Ordinary Shares (other than such holder all of whose Ordinary Shares were issued upon the conversion of Preferred Shares) and/or any Key Shareholder (as defined below) proposing, prior to the IPO, to sell, assign, transfer, pledge, hypothecate, mortgage or dispose of, by gift or otherwise, or in any way encumber (“**Transfer**”) all or any of the Ordinary Shares held by them, from time to time (other than a Transfer to a Permitted Transferee) (the “**Offeror**”), shall, by written notice, offer (the “**Offer**”) such Ordinary Shares (the “**Offered Shares**”), on the terms of the proposed transfer, to each (x) holder of Preferred Shares holding, at such time, at least 3% of the issued and outstanding Company Shares, on an as-converted basis, (y) holder of Shares being a Provident Fund or its Permitted Transferee, or (z) any Eligible E Holder (in this Article 30 and Article 31 below, the “**Offerees**”).
- (b) The Offeror shall send the notice (the “**Notice**”) to the Company, which shall in turn send it to the Offerees in the name of the Offeror. The Notice shall state the identity of the Offeror and of the proposed transferee(s), the number of Offered Shares, the price per

share and other economic terms of sale of the Offered Shares. Any Offeree may accept such Offer in respect of all or any of the Offered Shares by giving the Company notice to that effect (the “**Accepting Shareholder**” and the “**Acceptance**”, respectively) within fifteen (15) days after being served with Notice of the Offer.

(c) If the Acceptances provided during such fifteen (15) day period are, in the aggregate, in respect of at least all of the Offered Shares, then the Accepting Shareholders shall acquire the Offered Shares, on the terms set forth in the Notice, in proportion to their respective holdings in the Company (on a fully-diluted, as-converted basis) among themselves; provided that no Accepting Shareholder shall be entitled to acquire, under the provisions of this Sub-Article (c), more than the number of Offered Shares accepted by such Accepting Shareholder under its respective Acceptance, and upon the allocation to such Accepting Shareholder of the full number of shares so accepted by it in its Acceptance, such Accepting Shareholder shall be disregarded in any subsequent computations and allocations hereunder. Any shares remaining after the computation of such respective entitlements shall be re-allocated among the Accepting Shareholders (other than those to be disregarded as aforesaid), in the same manner, until one hundred percent (100%) of the Offered Shares have been allocated as aforesaid.

(d) If no Acceptances are provided during such fifteen (15) day period, then the Offerees shall not be entitled to acquire any of the Offered Shares, and the Transfer shall become subject to the Co-Sale rights under Article 31, before the Offeror may complete the Transfer.

(e) If the Acceptances provided during such fifteen (15) day period are, in the aggregate, in respect of some but not all of the total number of Offered Shares, then the Company shall, immediately after the expiration of such period, send written notice (the “**Second Notice**”) to the Accepting Shareholders. Each Accepting Shareholder shall have an additional option to purchase all or any part of the balance of any such remaining Offered Shares on the terms and conditions set forth in the Notice, by giving the Company notice to that effect (the “**Follow-on Acceptance**”) within ten (10) days after being served with Second Notice.

(i) If all remaining Offered Shares are accepted in Follow-on Acceptances, such shares shall be allocated among those providing the Follow-on Acceptances, in proportion to their respective holdings in the Company (on a fully-diluted, as-converted basis) among themselves, and generally in accordance with the allocations mechanism provided under Article 30(c).

(ii) If fewer than the remaining Offered Shares are accepted in Follow-on Acceptances, then the Accepting Shareholders shall not acquire any of the Offered Shares, including those for which Acceptances were provided, and the Transfer of all of the Offered Shares shall become subject to the Co-Sale rights under Article 31 (to the extent such Article is applicable thereto), before the Offeror may complete the Transfer thereof.

(f) For the purposes of any Transfer under this Article 30, the respective holdings of any Accepting Shareholder shall mean the respective proportion of the aggregate number of Equity Securities held by such Accepting Shareholder, on a fully-diluted and as-converted basis, to the aggregate number of Ordinary Shares held by all the Accepting Shareholders, on a fully-diluted and as-converted basis.

(g) The Company shall not register any Transfer of its shares on its books, unless such Transfer fully complies with the provisions of this Article 30.

(h) If the offer to Offerees under this Article 30 may, if carried out, constitute, under applicable laws, an offer to the public which is subject to prospectus requirements, then such offer shall be limited, so that it is made only in a manner according to which it will not, and only to a number of Offerees which ensures that it will not, be subject to such prospectus requirements; and in furtherance of such goal, offerings shall only be made to members of the following groups in the following order of priority: (i) the type of Offerees the offering to which, at such time, is exempted from such prospectus requirement; (ii) holders of Series D Preferred Shares pro rata among themselves; and (iii) other Offerees; with a higher priority being given, within each of the groups in clauses (ii) and (iii), to an Offeree holding a greater percentage of Company Shares than other Offerees in such group (aggregating, for such purpose, the holdings of Permitted Transferees; provided that such Permitted Transferees shall be considered as separate entities to the extent viewed as such by applicable law).

(i) This Article 30 (right of first refusal) shall not apply in the case of a bring along transaction under Article 15.

CO-SALE RIGHT

31. Prior to the consummation of an IPO, if (a) the Offered Shares are not acquired in their entirety by the Offerees pursuant to the right of first refusal set forth in Article 30 above, and (b) solely with respect to any Key Shareholder, if such Key Shareholder wishes to transfer or sell any Equity Securities, then each Offeree under Article 30 shall have the right to participate in the Offeror's Transfer of the Offered Shares (which were not acquired by the Offerees, as aforesaid) to the proposed transferee(s), as follows.

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(a) **Exercise of Right.** If the Offered Shares intended to be Transferred by the Offeror under Article 30 (the "**Transferring Shareholder**") are not acquired in their entirety pursuant to the right of first refusal set forth in Article 30, the Company shall notify the Offerees (as defined in Article 30) in writing (the "**Co-Sale Notice**"), at the end of the relevant notice period(s) thereunder, that they shall have the right, exercisable by written notice to the Company within seven (7) days of receipt of the Co-Sale Notice, to require the Transferring Shareholder to provide, as part of its proposed Transfer of the Offered Shares which were not acquired pursuant to the right of first refusal set forth in Article 30 (the "**Residual Shares**"), that such Offerees be given the right to participate in the Transfer of the Residual Shares by selling Ordinary Shares (or shares convertible into Ordinary Shares), on the same terms and conditions as the Transferring Shareholder, on a pro-rata basis (the "**Offeree's Pro-Rata Share**"), as follows: each Offeree's Pro-Rata Share shall equal the product obtained by multiplying (1) the aggregate number of the Residual Shares, by (2) a fraction, (x) the numerator of which is the number of shares owned by such Offeree at the time of the Transfer and (y) the denominator of which is the total number of shares owned by the Transferring Shareholder and the Offerees at the time of the Transfer, in each case measured on a fully-diluted and as-converted basis. If any Offeree exercises its rights hereunder, the Transferring Shareholder shall cause the acquirer to purchase, as part of the Transfer, the Offeree's Pro-Rata Share of each participating Offeree (or any part thereof chosen by such Offeree to be sold, if it gave notice with respect to less than its Offeree's Pro-Rata Share), and the Transferring Shareholder shall not proceed with such Transfer unless such Offerees are given the right to participate in the Transfer in accordance herewith.

(b) **Transfer to Transferee(s).** Subject to compliance with Article 30 and this Article 31, the Transferring Shareholder shall be entitled, at the expiration of the aforementioned periods, to Transfer all, or the appropriate portion (together with the Offeree's Pro-Rata Share of each participating Offeree), as applicable, of the Offered Shares, to such proposed transferee(s); provided, however, that in no event shall the Offeror Transfer any of the Offered Shares on terms more favorable to the transferee(s) than those stated in the Notice; and provided further that any of the Offered Shares not Transferred within ninety (90) days after provision of the Notice, shall again be subject to the provisions of Article 30 and this Article 31.

(c) **Permitted Transferees.** For the removal of doubt, a Transfer by a Transferring Shareholder to its Permitted Transferee in accordance with the provisions of these Articles shall not trigger the application of Article 30 or this Article 31.

(d) This Article 31 (co-sale right) shall not apply in the case of a bring along transaction under Article 15.

NO SALE

32. Notwithstanding anything else to the contrary in these Articles, until the earliest of (i) January 1, 2020, (ii) the consummation of an IPO, (iii) the consummation of a Deemed Liquidation Event, and (iv) the termination of the engagement of the Key Shareholder with the Company (so long as it is not "for cause"), Dr. Noam Emanuel and Amir Weisberg (each, a "**Key Shareholder**") shall not Transfer all or any of the Ordinary Shares of the Company and any shares issued upon exercise of any options, or issuable upon exercise of any option, held by the Key Shareholder (a "**Restricted Transfer**"), unless the Majority Investors have given their prior written consent for any such Restricted Transfer. Any Restricted Transfer by the Key Shareholder shall be subject to this Article 32 as well as the other provisions regarding Transfers set forth in these Articles, including but not limited to Articles 30 and 31.

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The provisions of this Article 32 shall not apply to any transfer by any of the Key Shareholders to its Permitted Transferee, provided that, upon and as a condition to such transfer, the Permitted Transferee will be deemed to be a Key Shareholder, and further provided that such Permitted Transferee shall not be permitted to transfer any Shares to any party which is not a Permitted Transferee of the Key Shareholder, even if such party would otherwise be a Permitted Transferee of the first Permitted Transferee.

CALLS

33. A Shareholder shall not be entitled to receive dividends nor to use any right a Shareholder has, unless he has paid all the calls that shall be made from time to time, with respect to money unpaid on all of his shares, whether he is the sole holder or holds the shares together with another person, in addition to interest and expenses if there shall be any.

34. The Board of Directors may, subject to the provisions of these Articles, make calls upon the Shareholders from time to time in respect of any moneys unpaid on their shares, as they shall determine proper, upon the condition that there shall be given reasonable prior notice on every call and each Shareholder shall be obligated to pay the total amount requested from him, or the installment on account of the call (if there shall so be) at the times and places to be determined by the Board of Directors.

35. The calls for payment shall be deemed to have been requested from the date the Board of Directors shall have decided upon the calls for payment.

36. The joint holders of a share shall be jointly and severally liable to pay the calls for payment in full and the installment on account, in connection with such calls.

37. If a sum called in respect of a share is not paid the holders of the share or the person to whom it has been issued shall be liable to pay interest and linkage differentials (“**interest**”) upon the amount of the call or the payments on account, as determined by the Board of Directors commencing from the day appointed for the payment thereof to the time of actual payment, but the Board of Directors shall be at liberty to waive payment of that interest, wholly or in part.

38. Any amount that according to the condition of issuance of a share must be paid at the time of issuance or at a fixed date, whether on account of the sum of the share or premium, shall be deemed for the purposes of these Articles to be a call of payment that was made duly and the date of payment shall be the date appointed for payment. In the event of non-payment of this amount all of the Articles herein dealing with payment of interest, expenses, forfeiture, pledge and the like and all the other Articles connected therewith, shall apply, as if this sum had been duly requested and notice had been given, as aforesaid.

39. The Board may make different arrangements at the times of issuance of shares to different shareholders, with respect to the amount of calls to be paid, the times of payment, and the applicable rate of interest.

40. The Board of Directors may, if it thinks fit, receive from any Shareholder willing to pay in advance all of the monies or a part thereof that shall be due on account of his shares, in addition to any amounts for which the payment in fact has been requested and they shall be permitted to pay him interest at the rate the Board of Directors and the Shareholder shall agree upon, for the amounts paid in advance as aforesaid, or upon the part thereof which is in

excess of the amounts whose payment was at the time requested on account of his shares in connection with which the payments have been made in advance, in addition to paying dividends that will be paid for that part of the share which has been paid in advance.

FORFEITURE OF SHARES

41. If a Shareholder fails to pay any call or installment of a call on the day appointed for payment thereof, the Board of Directors may, subject to the provisions of Section 181 of the Companies Law, at any time thereafter during such time as any part of such call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and any expenses that were incurred as a result of such non-payment.
42. The notice shall name a further day, not earlier than the expiration of seven days from the date of the notice, on or before which the amount of the call or installment or a part thereof is to be made together with interest and any expenses incurred as a result of such non-payment. The notice shall also state the place the payment is to be made and that in the event of non-payment, at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.
43. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board of Directors to that effect. The forfeiture shall include those dividends that were declared but not yet distributed, with respect to the forfeited shares.
44. A share so forfeited shall be deemed to be the property of the Company and can be sold or otherwise disposed of, on such terms and in such manner as the Board of Directors thinks fit. At any time before a sale or disposition the forfeiture may be canceled on such terms as the Board of Directors thinks fit.
45. A person whose shares have been forfeited shall cease to be a Shareholder in respect of the forfeited shares, but shall notwithstanding remain liable to pay to the Company all monies which, at the date of forfeiture, were presently payable by him to the Company in respect of the shares, but his liability shall cease if and when the Company receives payment in full of the nominal amount of the shares.
46. The forfeiture of a share shall cause, at the time of forfeiture, the cancellation of all rights in the Company or any claim or demand against it with respect to that share and the other rights and obligations between the share owner and the Company accompanying the share, except for those rights and obligations not included in such a cancellation according to these Articles or that the Law imposes upon former Shareholders.
47. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share, or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

MODIFICATION OF CAPITAL

48. Subject to the rights of the Preferred Shareholders pursuant to these Articles, including but not limited to pursuant to Article 11(d), the Company may, from time to time, by a Shareholders resolution:

- (a) consolidate and divide all or any of its issued or unissued share capital into shares of larger nominal value than its existing shares;
- (b) cancel any shares which have not been taken or agreed to be taken by any person;
- (c) by subdivision of its existing shares, or any of them, divide the whole, or any part, of its share capital into shares of smaller amounts subject, nevertheless, to the provisions of the Companies Law and in a manner that with respect to the shares created as a result of the division it will be possible within the resolution of division to grant to one or more shares a preferable right or advantage with respect to dividend, capital, voting or otherwise over the remaining share or other similar shares; and
- (d) reduce its share capital and any fund reserved for capital redemption in the manner that it shall deem to be correct, with and subject to, any incident authorized, and consent required, by law.

INCREASE OF SHARE CAPITAL

49. The Company shall be permitted, subject to the rights of the Preferred Shareholders in these Articles (including but not limited to pursuant to the provisions of Article 11(d)), from time to time, by a resolution, to increase its share capital - whether or not all its shares have been issued, or whether the shares issued have been paid in full - by creation of new shares. This new capital shall be in such an amount, divided into shares in such amounts and have such preferable or deferred or other special rights (subject always to the special rights conferred upon an existing class of share), subject to any condition and restrictions with respect to dividends, return of capital, voting or otherwise, all as shall be directed by the general meeting in its resolution sanctioning the increase of the share capital.

50. Subject to any decision to the contrary in the resolution sanctioning the increase in share capital, pursuant to these Articles, the new share capital shall be deemed to be part of the original share capital of the Company and shall be subject to the same provisions with reference to payment of calls, liens, title, forfeiture, transfer and otherwise as apply to the original share capital.

GENERAL MEETINGS

51. A general meeting shall be held once in every year at such time, being not more than fifteen (15) months after the holding of the last preceding general meeting, and place as may be prescribed by the Board of Directors. The above mentioned general meetings shall be called “**Ordinary Meetings**”. All other general meetings shall be called “**Extraordinary General Meetings**”. Ordinary Meetings and Extraordinary General Meetings shall be referred to as “**General Meetings**”.

52. Subject to the provisions of these Articles the general function of the Ordinary Meeting shall be to receive and to deliberate with respect to the profit and loss statements, the balance sheets, the ordinary reports and accounts of the Board of Directors and auditors; to declare dividends, and to appoint auditors and to fix their compensation; provided that any other matter which may be considered and voted upon by the General Meeting may be discussed and voted upon at any General Meeting. For avoidance of doubt, General Meetings may be held telephonically or by video conference, provided that all Shareholders have an opportunity to hear and be heard by all other Shareholders wishing to participate in such meeting.

53. The Board of Directors may, whenever it thinks fit - and upon a requisition in writing as provided for in Sections 63 and 64 of the Companies Law, will be required to - convene an Extraordinary General Meeting. Every such requisition shall include the objects for which a meeting should be convened, shall be signed by the requisitioners and shall be sent to the Office of the Company. If the Board of Directors does not convene a General Meeting within twenty-one (21) days from the date of the submission of the requisition as aforesaid, the requisitioners may, by themselves, convene a General Meeting. However, the meeting which was so convened shall not be held after three months have passed since the date of the submission of the requisition.

NOTICE OF GENERAL MEETINGS

54. Subject to provisions of these Articles with respect to resolutions, a prior notice of seven (7) days at least shall be given with respect to the place, date and hour of the meeting, and - in the event that a matter requiring a resolution shall be discussed - a general description of the nature of that matter. The notice shall be given, as herein below provided for, to the Shareholders entitled pursuant to these Articles to receive notices from the Company. With the consent of all the Shareholders who are entitled, at that time, to receive notices, it shall be permitted to convene all meetings and to resolve all types of resolutions, upon a shorter advance notice or without any notice and in such manner, generally, as such be approved by the Shareholders.

QUORUM

55. No deliberation shall be commenced with respect to any matter at the general meeting unless there shall be present a quorum at the time when the General Meeting proceeds to deliberate. Without derogating from the rights of the Preferred Shareholders in these Articles (including but not limited to pursuant to Article 11(d)), in any meeting a quorum shall be formed when there are present personally or by proxy not less than two Shareholders who hold or represent together fifty-one percent (51%) of the voting rights of the issued share capital of the Company (treating all Preferred Shares on an as-converted basis).

56. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the same day during the next week at the same place and time, or any other day and/or any other hour and/or any other place as the Board of Directors shall notify the Shareholders, and, if at the second meeting a quorum is not present within half an hour from the time appointed for the meeting any two Shareholders present personally or by proxy shall be a quorum, and shall, without derogating from the rights of the Preferred Shareholders in these Articles (including but not limited to pursuant to Article 11(d)), be entitled to deliberate and to resolve in respect of the matters for which the meeting was convened.

CHAIRMAN

57. The chairman of the Board of Directors shall preside as chairman at all General Meetings. If there is no chairman or he is not present within fifteen (15) minutes from the time appointed for the meeting or if he shall refuse to preside at the meeting, the Shareholders present shall elect one of the Directors to act as chairman, and if only one Director is present, he shall act as chairman. If no Directors are present or if they all refuse to preside at the meeting the Shareholders present shall elect one of such Shareholders to preside at the meeting. The Chairman shall have no casting vote and/or additional special rights or privileges at any General Meeting.

POWER TO ADJOURN

58. The chairman may, with the consent of any meeting at which a quorum is present, and shall if so directed by the meeting, adjourn the meeting from time to time and from place to place, as the meeting shall decide. If the meeting shall be adjourned, a notice shall be given of the adjourned meeting as in the case of an original meeting. At an adjourned meeting no matters shall be discussed except for those permissible to be discussed at that meeting which decided upon the adjournment.

ADOPTION OF RESOLUTIONS

59. At every General Meeting, a resolution put to the vote of the meeting shall be decided upon by a show of hands, or by any Shareholder present, in person or by proxy, and entitled to vote at the meeting. The declaration of the chairman that the resolution has been carried or carried unanimously or by a particular majority, or lost, or not carried by a particular majority, shall be final, and an entry to that effect in the minute book of the Company, shall be *prima facie* evidence of the fact without the necessity of proving the number or proportion of the votes recorded in favor or against such a resolution. Subject to any provision in these Articles to the contrary, and without derogating from the rights of the Preferred Shareholders in these Articles (including but not limited to pursuant to Article 11(d)), a resolution shall be deemed to be passed at a General Meeting if it received an ordinary majority of the votes participating in the meeting (i.e., the holders of the majority of the shares held by the shareholders which participated in the meeting, in person or by proxy).

60. Deleted.

VOTES OF SHAREHOLDERS

61. Subject to and without derogating from the right or preference rights or restrictions existing at that time with respect to a certain class of shares forming part of the capital of the

Company, and for the avoidance of doubt without derogating from Article 11(c), each Shareholder present at a meeting, personally or by proxy, shall be entitled, whether at a vote by show of hands or by secret ballot, to one vote for each share held by him, provided that no Shareholder shall be permitted to vote at a General Meeting or appoint a proxy to vote therein except if he has paid all calls for payment and all monies due to the Company from him with respect to his shares.

62. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for the purpose of this Article seniority shall be determined by the order in which the names stand in the Register. Joint holders of a share of which one of them is present at a meeting shall not vote by proxy. The appointment of a proxy to vote on behalf of a share held by joint holders shall be executed by the signature of the senior of the joint holders.

PROXIES

63. (a) In every vote a Shareholder shall be entitled to vote either personally or by proxy. A proxy present at a meeting shall also be entitled to request a secret ballot. A proxy need not be a Shareholder of the Company.

(b) A Shareholder of the Company that is a corporation or partnership shall be entitled by decision of its board of directors or by a decision of a person or other body, according to its articles, to appoint a person who it shall deem fit to be its representative at every meeting of the Company. The representative, appointed as aforesaid, shall be entitled to perform all actions and exercise all powers, on behalf of the corporation he represents all the powers that the corporation itself perform or exercise, as if it was a person.

64. A vote pursuant to an instruction appointing a proxy shall be valid notwithstanding the death of the appointor or the appointor becoming of unsound mind or the cancellation of the proxy or its expiration in accordance with any law, or the transfer of the shares with respect to which the proxy was given, unless a notice in writing was given of the death, becoming of unsound mind, cancellation or transfer and was received at the Office before the meeting took place.

INSTRUMENT OF APPOINTMENT

65. A letter of appointment of a proxy or power of attorney or other certificate (if there shall be such) pursuant to which the appointee is acting, shall be in writing, and such instrument or a copy thereof confirmed as aforesaid, shall be deposited in the Office, or in another place in Israel or abroad - as the Board of Directors shall direct from time to time generally or with respect to a particular case, no later than upon the commencement of the meeting or adjourned meeting wherein the person referred to in the instrument is appointed to vote; otherwise, that person shall not be entitled to vote that share. If the appointment shall be for a limited period, the instrument shall be valid for the period contained therein.

66. An instrument appointing a proxy (whether for a specific meeting or otherwise) may be in the following form or in any other similar form which the circumstances shall permit:

“I, _____, of _____, a Shareholder holding shares in PolyPid Ltd. and entitled to _____ votes hereby appoint _____, of _____, or in his place _____, of _____, to vote in my _____”

name and in my place at the general meeting (regular, extraordinary, adjourned - as the case may be) of the company to be held on the _____ day of _____, 20____ and at any adjournment thereof.

In witness whereof, I have hereby affixed my signature on this _____ day of _____, 20____.

Appointor’s Signature

I hereby confirm that the foregoing instrument was signed by the appointor.

(name, profession and address)

RESOLUTION IN WRITING

67. A resolution in writing signed by all of the Shareholders then entitled to attend and vote at General Meetings or to which all such Shareholders have given their written consent (by letter, facsimile, email or otherwise) or their oral consent by telephone or otherwise (provided that a written summary thereof has been approved and signed by the chairman), shall be deemed to have been unanimously adopted by a General Meeting duly convened and held.

CLASS MEETINGS

67A. (a) The provisions of these Articles relating to General Meetings shall generally apply, *mutatis mutandis*, to every class meeting of (A) all of the Preferred Shares (voting together as one separate class) and, (B) the individual classes of Preferred Shares, solely to the extent that the consent of any individual class is required, and (C) the Remaining Preferred (voting together as one single, separate class) (each a “**Class Meeting**”); provided however that: (i) a quorum at any Class Meeting under clause (A) shall include the Majority Investors; (ii) a quorum at any Class Meeting of the Series D Preferred Shares, shall mean the Majority Investors; (iii) a quorum at any Class Meeting of the Remaining Preferred, shall mean the Remaining Preferred Majority; and (iv) at any adjourned Class Meeting under clauses (i) and (ii), the quorum shall be the Majority Investors and at any adjourned Class Meeting under clause (iii), the quorum shall be the Remaining Preferred Majority; and (v) the provisions of Article 11(d) shall apply to each Preferred D Vote.

For all matters touching or concerning any or all classes of the Remaining Preferred, the Remaining Preferred classes shall all be considered a single and separate class, and shall, to the maximum extent permitted under applicable law, vote together as a single class.

For all matters touching or concerning any or all classes of the Series D Preferred Shares, the Series D Preferred Share classes shall all be considered a single and separate class, and shall vote together as a single class.

(b) Subject to the rights of the holders of Series D Preferred Shares (the “**Series D Preferred Shareholders**”) pursuant to these Articles, including but not limited to pursuant to Article 11(d) and rights of the Remaining Preferred Majority pursuant hereto, if at any time

the share capital is divided into different classes and/or series of shares, the Company may change, convert, broaden, add or vary in any other manner the rights, advantages, restrictions or provisions related to one or more of the classes or series, if such action was approved by the General Meeting.

(c) The foregoing notwithstanding, but for the avoidance of doubt subject to the rights of the Series D Preferred Shareholders pursuant to these Articles, including but not limited to pursuant to Article 11(d), the authorization or issuance of additional securities, including, without limitation, securities which are comprised of a new class of shares having certain rights, preferences or privileges over or relative to any outstanding class of shares, shall not per se be deemed as affecting, changing or varying the rights of any outstanding class of shares and therefore shall not require any consent of the class pursuant to this Article 67A.

(d) Subject to the rights of the Series D Preferred Shareholders pursuant to these Articles, including but not limited to Article 11(d), the Company may, from time to time, by a resolution of the General Meeting, authorize and/or issue shares having the same rights as existing shares or with such preferred or deferred rights or rights of redemption or different prices or other special rights and/or restrictions, whether with respect to liquidation, dividends, voting, conversion, repayment of share capital or otherwise, as may be stipulated in such resolution.

(e) Subject to Article 67A(a) and to the rights of the Series D Preferred Shareholders pursuant to these Articles, including but not limited to Article 11(d), subject to the rights of the Lead Investor hereunder and subject to the rights of the Remaining Preferred Majority pursuant hereto, any resolution required to be adopted pursuant to these Articles by a separate General Meeting of a certain class of shares, shall be voted upon and adopted by simple majority of the holders of such class entitled to vote thereon, and no holder of a certain class shall be banned, unless the law otherwise expressly prescribes, from participating and voting in a separate General Meeting of such class by virtue of being a holder of more than one class of shares of the Company, irrespective of any conflicting interests that may exist between such different classes of shares. For illustration purposes, in the event that a certain Shareholder is the holder of a Preferred A Share and Ordinary Shares whilst another shareholder is the holder of Ordinary Shares only, the Shareholder holding two classes of shares shall not be banned from voting on a resolution which adversely affects the rights of the Ordinary Shares, irrespective of the affect such change shall have on the Series A Preferred Shares. Anything contained herein to the contrary notwithstanding, subject to any applicable law, a Shareholder shall not be required to refrain from participating in the discussion or voting on any resolution at a shareholders meeting concerning the modification or abrogation of the rights attached to any class of shares held by such Shareholder, due to the fact that such Shareholder may benefit in one way or another from the outcome of such resolution; e.g. a Shareholder shall be entitled to vote on the modification of rights attached to shares held by such Shareholder in a way that may benefit such holder either directly or indirectly (such as in the case of an increased financial value gained by virtue of such change).

(f) To the maximum extent permitted under applicable law, and unless otherwise explicitly provided by these Articles (including but not limited to Article 11(d)) and/or under applicable law, all shareholders of the Company shall vote together as a single class, on an as-converted basis, on any matter presented to the shareholders and all matters shall require an approval by the holders of a majority of the voting power of the Company represented at

the meeting of all shareholders of all classes voting together as a single class, on an as-converted basis, including, without limitation, any amendment to these Articles, any issuance of securities of the Company, or any transaction under Sections 341, 342 or 350 of the Israeli Companies Law.

(g) Without derogating from the foregoing and without derogating from, and subject to, Article 11(d) and Article 9 and any other rights of the Preferred D Shareholders or the Remaining Preferred Majority, unless otherwise provided by these Articles, it is hereby clarified that:

(i) The increase of the authorized and registered number of shares of an existing class of shares, and/or the issuance of additional shares thereof, and/or the creation of a new class of shares identical to an existing class of shares in all respects, except for the price per share paid for such shares, shall not be deemed, for purposes of these Articles, to directly adversely alter the rights attached to the previously issued shares of such class or of any other class;

(ii) The creation, authorization and/or the issuance of additional shares or other equity securities of the Company having certain rights, preferences or privileges over or relative to all other shares or equity securities of the Company, including, without limitation, shares that have rights at Liquidation, Deemed Liquidation or distribution of Dividends that are senior to the rights with respect to such events of all existing Preferred Shares, shall not be deemed to be modifying or abrogating the rights, powers and privileges attached to the previously issued shares of any existing class, provided that the rights, preferences or privileges attached to such additional shares or other equity securities apply in the same manner vis-a-vis all other existing series or classes of shares, without a different application to different classes, even though the result of such equal application may be different with respect to different shareholders due to the number of shares held by them and/or even though such an issuance will change the economic value of the existing shares (but not the legal rights of such shares, as illustrated by the example set forth in Article 67A(g)(iii) below), and shall not be subject to the approval of a separate class vote of the holders of the shares of any particular class; and

(iii) The authorization of a new series of shares or class of shares, or the issuance of such shares, shall not be deemed, for any purpose hereunder (subject, for the avoidance of any doubt, to Article 11(d)), to modify or abrogate the rights attached to an existing class of shares if the rights attached to the new class of shares apply in the same manner vis-a-vis all other existing series or classes of shares, without a different application to different classes, even though the result of such equal application may be different with respect to different Shareholders due to the number of shares held by them and/or even though such an issuance will change the economic value of the existing shares (but not the legal rights of such shares — for example, if (a) the holders of the Ordinary Shares are entitled to appoint one Director and the holders of Preferred A Shares are entitled to appoint one Director; (b) the Board consists of 2 members; and (c) the Company issues a new class of shares (Preferred E Shares) which are entitled to appoint a Director, and to enable such an appointment, the Articles are amended to provide that the Board may consist of 3 members, then, in such an event, such an act will not be deemed to change, modify or abrogate the rights and powers attached to the Ordinary Shares or the Preferred Shares (as the holders thereof will continue to hold the power to appoint one Director), even if one may argue that the economic value of the Ordinary Shares or the Preferred Shares was decreased by such an act (the holders can then appoint one out of three members to the Board).

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(h) Subject to and without derogating from the rights of the Preferred D Shareholders including but not limited to Article 11(d) and Article 9: if at any time, a restructure of the Company's issued or unissued share capital is effectuated (a "**Restructure**"), and as a result of such Restructure the rights attached to one or more classes of shares are modified or abrogated, then, such Restructure shall require the consent of the holders of the majority of the issued and outstanding shares of such affected class (or classes as the case may be), which shall be obtained at a separate General Meeting of such class (in addition to such other approvals requires under these Articles or applicable law). In the event that such Restructure can be consummated in more than one manner (such as by means of arrangement proceedings approved by a court of law, or alternatively by means of amendment of the Company's corporate documents), the sole and absolute discretion in determining the manner by which such Restructure shall be consummated shall vest in the Company's Board.

DIRECTORS

68. The Board of Directors of the Company shall consist of up to ten (10) Directors, which shall be appointed by shareholders holding 60% of the issued and outstanding share capital of the Company.

69. The right to appoint a person to the Board of Directors shall include the right to remove and replace such Director. Appointments, removals and replacements shall be effected by furnishing written notification to the Company. Any notice regarding the appointment, removal or replacement of a Director shall be delivered to the Company in writing, and shall become effective on the date fixed in such notice, or upon the delivery thereof to the Company, whichever is later.

OBSERVERS

70. (A) Until QPO and as long as the Lead Investor (and its Permitted Transferees) holds at least 50% of the Series D-1 Preferred Shares issued to it at the Closing (not including, for the avoidance of doubt, any Warrant Shares), the Lead Investor shall have the right, but not the obligation, to appoint a non-voting observer to the Board, and (B) until QPO and as long as Rice Inc. (and its Permitted Transferees) holds at least 3.0% of the issued and outstanding share capital of the Company, it shall have the right, but not the obligation, to appoint a non-voting observer to the Board. Any such observer, and (unless otherwise determined by the Board) any other observer to the Board, shall be entitled to receive all notices, written documents and materials provided to the Directors and to be invited to and to attend all meetings of the Board and its committees in a non-voting capacity. If requested, any such observer shall execute a confidentiality agreement in a reasonable form approved by the Board for such purpose. For the avoidance of doubt, no observer shall be liable toward the Company or any Shareholder with respect to any action or inaction of the Board. This Article 70, and each other Article hereunder in which a right is granted to or held by the Lead Investor, may not be amended or cancelled without the Lead Investor's approval.

ALTERNATE DIRECTOR

71. (a) A Director may, by written notice to the Company, appoint an alternate for himself (in these Articles referred to as an "**Alternate Director**"), remove such Alternate Director and appoint another Alternate Director in place of any Alternate Director appointed by him whose office has been vacated for any reason whatsoever. Unless the appointing

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Director, by the instrument appointing an Alternate Director or by written notice to the Company, limits such appointment to a specific period of time or restricts it to a specified meeting or action of the Board of Directors, or otherwise restricts its scope, the appointment shall be for an indefinite period, and for all purposes. A Director and/or Alternate Director may act as an Alternate Director of another Director.

(b) Any notice given to the Company pursuant to Article 71(a) shall become effective on the date fixed therein, or upon the delivery thereof to the Company, whichever is later.

(c) An Alternate Director shall have, subject to the provisions of the instrument by which he was appointed, all the powers and authorities possessed by the Director for which he is serving as an Alternate Director, has.

(d) The office of an Alternate Director shall be automatically vacated if his appointment is terminated by the one who appointed him in accordance with these Articles, or upon the occurrence of one of the events described in Article 72 or, if the office of the member of the Board of Directors with respect to whom he serves as an Alternate Director shall be vacated for any reason whatsoever.

(e) The Alternate Director has the right to receive notice of the convening of a Board of Directors meeting and may participate in and vote at such meeting only if the Director appointing said Alternate Director is absent from said meeting.

72. Subject to the provisions of these Articles or to the provisions of an existing contract, the office of a Director shall be vacated, *ipso facto*, upon the occurrence of any of the following: (i) such Director's death, (ii) such Director is convicted of a crime as described in Section 232 of the Companies Law, (iii) such Director is removed by a court of law in accordance with Section 233 or the Companies Law, (iv) such Director becomes legally incompetent, (v) if such Director is an individual, such Director is declared bankrupt, (vi) if such Director is a corporate entity, upon its winding-up or liquidation, whether voluntary or involuntary, or (vii) if he was appointed by a Shareholder, upon receipt by the Company of a written notice from the Shareholder who appointed him, of the termination of his appointment. In addition, the office of a Director shall be vacated by his written resignation. Such resignation shall become effective on the date fixed therein or upon the delivery to the Company, whichever is later.

REMUNERATION OF DIRECTOR

73. Members of the Board of Directors, not being employees of the Company or professionals providing special professional services for consideration to its members - shall not receive a salary from funds of the Company unless otherwise prescribed by the Board of Directors, and then only in the amount that the Board shall decide upon, all subject to the provisions of the Companies Law. The Directors and their substitutes, and any observers, shall be entitled to reimbursement for reasonable "out-of-pocket" expenses incurred by them in connection with their attendance at meetings of the Board of Directors and in accordance with a policy established or to be established by the Board of Directors.

POWERS AND DUTIES OF DIRECTORS

74. The business of the Company shall be managed by the Directors. The Directors shall be entitled to exercise all the powers and authorities that the Company has and to perform in its name all the acts that it is entitled to perform according to its Articles and/or the Companies Law except for those which are, pursuant to the Companies Law or the Articles, vested in the General Meeting of the Company, subject to any provisions in the Companies Law or in these Articles or the resolutions that the Company shall adopt in its General Meeting (insofar as they do not contradict the Companies Law or these Articles). However any resolution adopted by the Company in its General Meeting shall not affect the legality of any prior act of the Board of Directors that would be legal and valid, if not for such a resolution.

75. A Director shall not be required to hold qualifying shares.

76. [reserved]

77. Subject to the Companies Law, a Director may hold another paid position or function in the Company or in any other company that the Company is a shareholder of or in which it has some other interest, together with his position as a Director (except an auditor) upon those conditions with respect to salary and other matters as decided by the Board of Directors and approved by the General Meeting, to the extent such approval is required under the Companies Law.

FUNCTIONS OF THE DIRECTORS

78. (a) The Directors may meet in order to transact business, to adjourn their meetings or to organize them otherwise as they shall deem fit and to determine the legal quorum necessary to conduct business.

(b) A quorum for meetings of the Board shall be the majority of the Directors then in office present personally or represented by their alternate.

CHAIRMAN

79. Until IPO, the Directors may from time to time elect a chairman from the acting Directors (who shall initially be Haim Hurvitz), and decide the period of time he shall hold such an office, and he shall preside at the meetings of the Board of Directors. However, if such a chairman is not elected or if he is not present at any particular meeting, the Directors present may choose one of their number to serve as chairman of that meeting. The Chairman shall have no rights or privileges other than those granted to Directors generally. The above notwithstanding, the Chairman of the Board shall be appointed and removed only with the approval of the Lead Investor.

MEETINGS OF THE BOARD

80. Subject to any contrary resolution accepted by the Board of Directors, a member of the Board of Directors may at any time call a Board of Directors' meeting, and the Company shall be required on the request of such member to convene a Board of Directors' meeting. The Board of Directors will convene at such location as designated by the Board of Directors.

81. (a) Any notice of a Board of Directors' meeting can be given orally, by telephone, in writing, or by email or fax provided that the notice is given not less than two (2) business days before the time appointed for the meeting, unless all the members of the Board of Directors shall agree to a shorter notice.

(b) Prior and timely notice of the convening of a Board of Directors' meeting shall be given to all Directors and observers.

(c) Without derogating from the rights of the Preferred Shareholders in these Articles (including but not limited to pursuant to Article 11(d)), if applicable, all acts and determinations of the Board of Directors shall be determined by a simple majority of those attending.

(d) Members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute attendance in person at the meeting.

DELEGATION OF POWER

82. (a) Notwithstanding anything in these Articles to the contrary, the Board of Directors may, subject to Section 112 of the Companies Law, delegate any of their executive powers to committee(s). The Board of Directors may appoint committees to discuss and generate recommendations regarding issues set forth by the Board of Directors, but such committee(s) shall not have executive powers whatsoever, except in the event such appointment is effected as aforesaid in this Sub-Article 82(a).

(b) In the exercise of any power delegated to it by the Board of Directors, all committees shall conform to any regulations that may be imposed upon them by the Board of Directors, if there shall be any such regulation. Subject to Sub-Article (a) above, if no such regulations are adopted by the Board of Directors or if there are no complete and encompassing regulations, the committees shall act pursuant to these Articles dealing with organization of meetings, meetings and functions of the Board of Directors, *mutatis mutandis*, and insofar as no provision of the Board of Directors shall replace it pursuant to this Article.

83. All actions performed in a bona fide fashion by the Board of Directors or by a committee of the Board of Directors, or by any person acting as a Director or as a substitute shall be as valid, even if at a later date a flaw shall be discovered in the appointment of such a Director or such a person acting as aforesaid, or that all or some of them were unfit, as if each and every one of those persons shall have been duly appointed and fit to serve as a Director or substitute as the case may be.

PRESIDENT AND/OR CHIEF EXECUTIVE OFFICER ("CEO")

84. (a) The Board of Directors may from time to time appoint one or more persons, whether or not he is a member of the Board of Directors, as the President and/or CEO of the Company, either for a fixed period of time or without limiting the time that he or they will stay in office, and they may from time to time (subject to any provision in any

contract between him or them and the Company) release him or them from such office and appoint another or others in his or their place.

(b) Without derogating from the rights of the Preferred Shareholders hereunder, including but not limited to under Article 11(d), the Board of Directors may from time to time grant and bestow upon the President and/or CEO, at that time, those powers and authorities that it exercises pursuant to these Articles, as it shall deem fit, and may grant those powers and authorities for such period, and to be exercised for such objectives and purposes and in such time and conditions, and on such restrictions, as it shall decide; and it may grant such authorities whether concurrently with the Board of Directors' authorities in that area, or in excess of them, or in place thereof or any one of them, and it can from time to time revoke, repeal, or change any one or all of those authorities.

(c) Notwithstanding the aforesaid in Article 73, the wages of the President and/or CEO shall be determined from time to time by the Board of Directors (subject to the Companies Law and any provision in any contract between him and the Company).

MINUTES

85. (a) The Directors shall cause minutes to be taken of all General Meetings of the Company, of the appointments of officials of the Company, of Board of Directors' meetings and of committee meetings that shall include the following items, if applicable:

- (i) the names of the members present;
- (ii) the matters discussed at the meeting;
- (iii) the results of the vote;
- (iv) resolutions adopted at the meeting; and
- (v) directives given by the meeting to the committees.

(b) The minutes of any meeting, signed or appearing to be signed by the chairman of the meeting or by the chairman of the meeting held immediately after that meeting, shall serve as a *prima facie* proof as to the facts in the minutes.

RESOLUTION IN WRITING

86. A resolution in writing signed by all the members of the Board of Directors, or of a committee, or such a resolution that all the members of the Board of Directors or a committee have agreed to in writing and/or fax and/or email shall be valid for every purpose as a resolution adopted at a Board of Directors' or committee meeting, as the case may be, that was duly convened and held. In place of a Director the aforesaid resolution may be signed and delivered by his alternate or his attorney or his alternate's attorney.

SEAL, STAMP AND SIGNATURES

87. (a) The Board of Directors shall cause the seal (if the Company shall have a seal) to be kept in safekeeping and it shall be forbidden to use the seal unless prior permission of the Board of Directors is given. If such permission was given, the seal shall

be affixed in the presence of whoever has been so appointed by the Board of Directors, and he shall sign any document upon which the seal has been affixed.

(b) The Company shall have at least one rubber stamp. The Directors shall ensure that such a stamp is kept in a safe place.

(c) The Board of Directors may designate and authorize any person or persons (even if they are not members of the Board of Directors) to act and to sign in the name of the Company, and the acts and signatures of such a person or persons shall bind the Company, insofar as such person or persons have acted and signed within the limits of their aforesaid authority.

(d) The printing of the name of the Company by a typewriter or computer-printer or by hand next to the signatures of the authorized signatories of the Company, pursuant to sub-article (c) above, shall be valid as if the rubber stamp of the Company was affixed.

BRANCH REGISTERS

88. The Company may, subject to the provisions of Sections 138 and 139 inclusive of the Companies Law keep in every other country where those provisions shall apply, a register or registers of Shareholders living in that other country as aforesaid, and to exercise any other powers referred to in the laws with respect to such branch registers.

THE SECRETARY, OFFICERS AND ATTORNEYS

89. (a) The Board of Directors may appoint a secretary of the Company upon the conditions that it finds fit. The Board of Directors may as well, from time to time, appoint an associate secretary who shall be deemed to be the secretary for the period of his appointment.

(b) The Board of Directors may, from time to time appoint to the Company, officers, workers, agents and functionaries to permanent, temporary or special positions, as they shall, from time to time, see fit and set compensation for them.

(c) The Board of Directors may, at any time and from time to time, authorize any company, firm, person or group of people, whether this authorization is done by the Board of Directors directly or indirectly, to be the attorneys in fact of the Company for those purposes and with those powers and discretions which shall not exceed those conferred upon the Board of Directors or that the Board of Directors can exercise pursuant to these Articles - and for such a period of time and upon such conditions as the Board of Directors deems proper, and every such authorization may contain such directives as the Board of Directors deems proper for the protection and benefit of the persons dealing with such attorneys.

DIVIDEND

90. (a) The following Articles 90-101 are subject to the provisions of these Articles, including but not limited to Articles 7 and 8, and subject to any rights or conditions of Preferred Shares and other rights and conditions attached at that time to any share in the capital of the Company granting preferential, special or deferred rights or not granting any rights with respect to dividends.

(b) The profits of the Company shall be distributable to the Shareholders of the Company according to the proportion of the nominal value paid up on account of the shares held by them at the date so appointed by the Company, calculated on an as-converted basis. Actual distribution, setting aside or declaration of dividend requires a decision of the Board of Directors.

(c) The Board of Directors may issue any share upon the condition that a dividend shall be paid at a certain date or that a portion of the declared dividend for a certain period shall be paid, or that the period for which a dividend shall be paid shall commence at a certain date, or a similar condition, all as decided by the Board of Directors. In every such case - subject to the provision mentioned in the beginning of this Article - the dividend shall be paid in respect of such a share in accordance with such condition.

91. At the time of declaration of a dividend the Company may decide that such dividend shall be paid in part or in whole, by way of distribution of certain properties, by way of distribution of fully paid up shares or debentures or debenture stock of the Company, or by way of distribution of fully paid up shares or debentures or debenture stock of any other company or in one or more of the aforesaid ways. Without derogating from Articles 7 and 8, for purposes of any such distribution, the outstanding Preferred Shares shall be deemed to have been converted into Ordinary Shares as of the time appointed by the Company in order to determine entitlement to participate in such distribution.

92. The Board of Directors may, from time to time, pay to the Shareholders on account of the forthcoming dividend such interim dividend as shall be deemed just with regard to the situation of the Company.

93. The Board of Directors may put a lien on any dividend on which the Company has a charge, and it may use it to pay any debts, obligations or commitments with respect to which the charge exists.

94. The person registered in the Register as a Shareholder on the date appointed by the Company for that purpose shall be the one entitled to receive a dividend. A transfer of shares shall not transfer the right to a dividend which has been declared after the transfer but before the registration of the transfer.

95. The Company may declare a dividend to be paid to the Shareholders, at a General Meeting, according to their rights and benefits in the profits and to decide the time of payment. A dividend in excess of that proposed by the Board of Directors shall not be declared. However, the Company may declare at a General Meeting a smaller dividend.

96. A notice of the declaration of a dividend, whether an interim dividend or otherwise, shall be given to the Shareholders registered in the Register, in the manner provided for in these Articles.

97. If payment cannot be made by wire transfer, the dividend may be paid by check or payment order to be mailed to the registered address of a Shareholder or person entitled thereto in the Register or, in the case of registered joint owners, to the addresses of one of the joint owners as registered in the Register. Every such check shall be made out to the person it is sent to. The receipt of the person who, on the date of declaration of dividend, is registered as the holder of any share or, in the case of joint holders, of one of the joint holders, shall serve as a release with respect to payments made in connection with that share.

98. [reserved]

99. [reserved]

100. All premiums received from the issue of shares shall be capital funds and they shall be treated for every purpose as capital and not as profits distributable as dividends. The Board of Directors may organize a reserve capital liability account and transfer, from time to time, all such premiums to the reserve capital liability account or use such premiums and monies to cover depreciation or doubtful loss. The Board of Directors may use any monies credited to the capital reserve liability account in any manner that these Articles or the law permits.

101. [reserved]

ACCOUNTS AND AUDIT

102. The Board of Directors shall cause the Company to maintain proper and complete books and records of account of the Company in accordance with Israeli law. The account books shall be kept in the Office or at such other place as the Board of Directors deem fit and they shall also be open for inspection by the Directors and observers.

103. The Board of Directors shall determine from time to time, in any specific case or type of case, or generally, whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company, or any of them, shall be open for inspection by the Shareholders, and no Shareholder, not being a Director or observer, shall have any right of inspecting any account book or document of the Company, except as conferred by law or authorized by the Board of Directors or by the Company in a General Meeting, or in a contract with the Shareholder.

104. Not less than once a year, the Board of Directors shall submit before the Company at a General Meeting financial statements for the period beginning from the previous account, in accordance with the relevant provisions of the Companies Law. To such financial statements shall be attached a report of the auditor and it shall be accompanied by a report from the Board of Directors with respect to the situation of the Company's business and the amount (if any) which it proposes as a dividend and the amount (if any) that it proposes be set aside for the fund accounts.

105. Auditors shall be appointed and their function shall be set out in accordance with the Companies Law. The Board shall fix the compensation of the auditor of the Company for its auditing activities, and shall also fix the compensation of the auditor for additional services, if any, which are not auditing activities, and, in each case, shall report thereon to the General Meeting.

NOTICES

106. A notice or any other document may be served by the Company upon any Shareholder either personally or by sending it by fax or email with confirmed receipt addressed to such Shareholder at his address, wherever situated, as appearing in the Register.

107. All notices directed to be given to the Shareholders shall, with respect to any shares to which persons are jointly entitled, be given to one of the joint holders, and any notice so given shall be sufficient notice to the holders of such share.

108. Prior and timely notice of the convening of a Shareholders meeting shall be given to each Shareholder, wherever situated, at the last address provided by the Shareholder. Any Shareholder registered in the Register who shall, from time to time, furnish the Company with an address at which notices may be served, shall be entitled to receive all notices he is entitled to receive according to these Articles at that address.

109. A notice may be given by the Company to the persons entitled to a share in consequence of the death or bankruptcy of a Shareholder by sending it through the post in a prepaid letter or postcard or telegram, telex or telefax addressed to them by name, at the address, if any, in Israel furnished for the purpose by the persons claiming to be so entitled or, until such an address has been so furnished, by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

110. Notwithstanding any inference to the contrary in any other provision of these Articles, all notices required or permitted hereunder shall be in writing and shall be deemed effectively given (i) upon personal delivery to the party to be notified; (ii) when sent by confirmed facsimile or email, on the next business day; (iii) seven (7) days after having been sent by registered or certified airmail, return receipt requested, postage prepaid; or (iv) three (3) days after deposit with an internationally recognized overnight courier, specifying next day delivery, with written verification of receipt. Any list of Shareholder or Director contact details which is kept in the ordinary manner in the Company's possession shall be *prima facie* proof of the delivery.

111. In any case where it is necessary to give prior notice of a certain number of days or a notice valid for a certain period, the date of delivery shall be taken into account in the number of days or period.

INDEMNITY

112. Subject to the provisions of the Companies Law, including the receipt of all approvals as required therein or under any applicable law, the Board of Directors may resolve in advance to exempt an "Officer" (as such term is defined in the Companies Law) from all or part of such Officer's responsibility or liability for damages caused to the Company due to any breach of such Officer's duty of care towards the Company.

113. (a) Subject to the provisions of the Companies Law including the receipt of all approvals as required therein or under any applicable law, the Company may indemnify or to enter into an agreement to indemnify in the future any Officer to the fullest extent permitted by the Companies Law.

(b) Subject to the provisions of the Companies Law including the receipt of all approvals as required therein or under any applicable law, the Board of Directors may resolve retroactively to indemnify an Officer with respect to the following liabilities and expenses, provided that such liabilities or expenses were incurred by such Officer in such Officer's capacity as an Officer of the Company:

(1) a monetary liability imposed on him/her in favor of a third party in any judgment, including any settlement confirmed as judgment and an arbitrator's award which has been confirmed by the court, in respect of an act performed by the Officer by virtue of the Officer being an Officer of the Company;

(2) reasonable litigation expenses, including legal fees, paid for by the Officer, in an investigation or proceeding conducted against such Officer by an agency authorized to conduct such investigation or proceeding, and which investigation or proceeding: (i) concluded without the filing of an indictment against such Officer and without there having been a financial obligation imposed against such Officer in lieu of a criminal proceeding, or (ii) concluded without the filing of an indictment against such Officer but with there having been a financial obligation imposed against such Officer in lieu of a criminal proceeding for an offense that does not require proof of criminal intent; all in respect of an act performed by the Officer by virtue of the Officer being an Officer of the Company; or

(3) reasonable litigation expenses, including legal fees, paid for by the Officer, or which the Officer is obligated to pay under a court order, in a proceeding brought against the Officer by the Company, or on its behalf, or by a third party, or in a criminal proceeding in which the Officer is found innocent, or in a criminal proceeding in which the Officer was convicted of an offense that does not require proof of criminal intent, all in respect of an act performed by the Officer by virtue of the Officer being an Officer of the Company.

(c) Subject to the provisions of the Companies Law including the receipt of all approvals as required therein or under any applicable law, the Board of Directors may resolve in advance to indemnify the Company's Officer for those liabilities and expenses described in (i) Sub-Article 113(b)(1), provided that such indemnification obligation shall be limited to those events which in the Board's opinion can be foreseen at the time the undertaking to indemnify is provided and to such expenses and measurements which the Board has determined are reasonable under the circumstances, and provided further that in the undertaking to indemnify such events, expenses and measurements shall be indicated; and (ii) Sub-Articles 113(b)(2) and 113(b)(3).

114. (a) Subject to the provisions of the Companies Law including the receipt of all approvals as required therein or under any applicable law, the Company may enter into an agreement to insure an Officer for any liability that may be imposed on such Officer in connection with an act performed by such Officer in such Officer's capacity as an Officer of the Company, with respect to each of the following:

(i) violation of the duty of care of the Officer towards the Company or towards another person;

(ii) breach of the fiduciary duty towards the Company, provided that the Officer acted in good faith and with reasonable grounds to assume that the action in question was in the best interests of the Company; and

(iii) a financial obligation imposed on the Officer for the benefit of another person.

(b) Articles 112, 113 and 114(a) shall not apply under any of the following circumstances:

(i) a breach of an Officer's fiduciary duty, in which the Officer did not act in good faith and with reasonable grounds to assume that the action in question was in the best interest of the Company;

- (ii) a grossly negligent or intentional violation of an Officer's duty of care;
- (iii) an intentional action by an Officer in which such Officer intended to reap a personal gain illegally; and
- (iv) a fine or ransom levied on an Officer.

(c) The Company may procure insurance for or indemnify any person who is not an Officer, including without limitation, any employee, agent, consultant, contractor, or observer, provided, however, that any such insurance or indemnification is in accordance with the provisions of these Articles and the Companies Law.

THE COMPANIES LAW, 1999
A LIMITED LIABILITY COMPANY

**ARTICLES OF ASSOCIATION
OF
POLYPID LTD.
PRELIMINARY**

1. **DEFINITIONS; INTERPRETATION.**

(a) In these Articles, the following terms (whether or not capitalized) shall bear the meanings set forth opposite to them respectively, unless inconsistent with the subject or context.

“Articles”	shall mean these Articles of Association, as amended from time to time.
“Board of Directors”	shall mean the Board of Directors of the Company.
“Chairperson”	shall mean the Chairperson of the Board of Directors, or the Chairperson of the General Meeting, as the context provides.
“Company”	shall mean POLYPID LTD.
“Companies Law”	shall mean the Israeli Companies Law, 5759-1999 and the regulations promulgated thereunder. The Companies Law shall include reference to the Companies Ordinance (New Version), 5743-1983, of the State of Israel, to the extent in effect according to the provisions thereof.
“Director(s)”	shall mean the member(s) of the Board of Directors holding office at any given time, including alternate directors.
“External Director(s)”	shall mean as defined in the Companies Law.
“General Meeting”	shall mean an Annual General Meeting or Special General Meeting of the Shareholders, as the case may be.
“NIS”	shall mean New Israeli Shekels.
“Office”	shall mean the registered office of the Company at any given time.
“Office Holder” or “Officer”	shall mean as defined in the Companies Law.
“RTP Law”	shall mean the Israeli Restrictive Trade Practices Law, 5758-1988.
“Securities Law”	shall mean the Israeli Securities Law, 5728-1968.
“Shareholder(s)”	shall mean the shareholder(s) of the Company, at any given time.
“in writing” or “writing”	shall mean written, printed, photocopied, photographic, typed, sent via email, facsimile or produced by any visible

substitute for writing, or partly one and partly another, and signed shall be construed accordingly.

(b) Unless otherwise defined in these Articles or required by the context, terms used herein shall have the meaning provided therefor under the Companies Law.

(c) Unless the context shall otherwise require: words in the singular shall also include the plural, and vice versa; any pronoun shall include the corresponding masculine, feminine and neuter forms; the words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”; the words “herein”, “hereof” and “hereunder” and words of similar import refer to these Articles in its entirety and not to any part hereof; all references herein to Articles, Sections or clauses shall be deemed references to Articles, Sections or clauses of these Articles; any references to any agreement or other instrument or law, statute or regulation are to it as amended, supplemented or restated, from time to time (and, in the case of any law, to any successor provisions or re-enactment or modification thereof being in force at the time); any reference to “law” shall include any supranational, national, federal, state, local, or foreign statute or law and all rules and regulations promulgated thereunder (including, any rules, regulations or forms prescribed by any governmental authority or securities exchange commission or authority, if and to the extent applicable); any reference to a “day” or a number of “days” (without any explicit reference otherwise, such as to business days) shall be interpreted as a reference to a calendar day or number of calendar days; reference to month or year means according to the Gregorian calendar; any reference to a “company”, “corporate body” or “entity” shall include a, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof, and reference to a “person” shall mean any of the foregoing or an individual.

(d) The captions in these Articles are for convenience only and shall not be deemed a part hereof or affect the construction or interpretation of any provision hereof.

LIMITED LIABILITY

2. The Company is a limited liability company and therefore each Shareholder’s obligations to the Company shall be limited to the payment of the nominal value of the shares held by such Shareholder, subject to the provisions of the Companies Law.

PUBLIC COMPANY; COMPANY’S OBJECTIVES

3. **PUBLIC COMPANY; OBJECTIVES.**

- (a) The Company is a Public Company as such term is defined in and as long as it so qualifies under the Companies Law.
- (b) The Company’s objectives are to carry on any business, and do any act, which is not prohibited by law.

4. **DONATIONS.**

The Company may donate a reasonable amount of money (in cash or in kind, including the Company’s securities) for any purpose that the Board of Directors finds appropriate.

SHARE CAPITAL

5. **AUTHORIZED SHARE CAPITAL.**

- (a) The share capital of the Company shall consist of 47,800,000 Ordinary Shares, of no nominal value each (the “**Ordinary Shares**”).
- (b) The Ordinary Shares shall rank *pari passu* in all respects.

6. **INCREASE OF AUTHORIZED SHARE CAPITAL.**

(a) The Company may, from time to time, by a Shareholders' resolution, whether or not all the shares then authorized have been issued, increase its authorized share capital by the creation of new shares. Any such increase shall be in such amount and shall be divided into shares of such nominal amounts, and such shares shall confer such rights and preferences, and shall be subject to such restrictions, as such resolution shall provide.

(b) Except to the extent otherwise provided in such resolution, any new shares included in the authorized share capital increased as aforesaid shall be subject to all the provisions of these Articles which are applicable to shares of such class included in the existing share capital without regard to class (and, if such new shares are of the same class as a class of shares included in the existing share capital, to all of the provisions which are applicable to shares of such class included in the existing share capital).

7. **SPECIAL OR CLASS RIGHTS; MODIFICATION OF RIGHTS.**

(a) If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class, unless otherwise provided by the Companies Law or these Articles, may be modified or cancelled by the Company by a resolution of the General Meeting of the holders of all shares as one class, without any required separate resolution of any class of shares.

(b) The provisions of these Articles relating to General Meetings shall, *mutatis mutandis*, apply to any separate General Meeting of the holders of the shares of a particular class, it being clarified that the requisite quorum at any such separate General Meeting shall be two or more Shareholders present in person or by proxy and holding not less than one-third (1/3) of the issued shares of such class.

(c) Unless otherwise provided by these Articles, an increase in the authorized share capital, the creation of a new class of shares, an increase in the authorized share capital of a class of shares, or the issuance of additional shares thereof out of the authorized and unissued share capital, shall not be deemed, for purposes of this Article 7, to modify or derogate or cancel the rights attached to previously issued shares of such class or of any other class.

8. **CONSOLIDATION, DIVISION, CANCELLATION AND REDUCTION OF SHARE CAPITAL.**

(a) The Company may, from time to time, by or pursuant to an authorization of a Shareholders' resolution, and subject to applicable law:

(i) consolidate all or any part of its issued or unissued authorized share capital into shares of a per share nominal value which is larger, equal to or smaller than the per share nominal value of its existing shares;

(ii) divide or sub-divide its shares (issued or unissued) or any of them, into shares of smaller or the same nominal value (subject, however, to the provisions of the Companies Law), and the resolution whereby any share is divided may determine that, as among the holders of the shares resulting from such subdivision, one or more of the shares may, in contrast to others, have any such preferred or deferred rights or rights of redemption or other special rights, or be subject to any such restrictions, as the Company may attach to unissued or new shares;

(iii) cancel any shares which, at the date of the adoption of such resolution, have not been taken or agreed to be taken by any person, and reduce the amount of its share capital by the amount of the shares so canceled; or

(iv) reduce its share capital in any manner.

(b) With respect to any consolidation of issued shares and with respect to any other action which may result in fractional shares, the Board of Directors may settle any difficulty which

may arise with regard thereto, as it deems fit, and, in connection with any such consolidation or other action which could result in fractional shares, may, without limiting its aforesaid power:

- (i) determine, as to the holder of shares so consolidated, which issued shares shall be consolidated into shares of a larger, equal or smaller nominal value per share;
- (ii) issue, in contemplation of or subsequent to such consolidation or other action, shares sufficient to preclude or remove fractional share holdings;
- (iii) redeem such shares or fractional shares sufficient to preclude or remove fractional share holdings;
- (iv) round up, round down or round to the nearest whole number, any fractional shares resulting from the consolidation or from any other action which may result in fractional shares; or
- (v) cause the transfer of fractional shares by certain Shareholders of the Company to other Shareholders thereof so as to most expediently preclude or remove any fractional shareholdings, and cause the transferees of such fractional shares to pay the transferors thereof the fair value thereof, and the Board of Directors is hereby authorized to act in connection with such transfer, as agent for the transferors and transferees of any such fractional shares, with full power of substitution, for the purposes of implementing the provisions of this sub-Article 8(b)(v).

9. **ISSUANCE OF SHARE CERTIFICATES, REPLACEMENT OF LOST CERTIFICATES.**

(a) To the extent that the Board of Directors determines that all shares shall be certificated or, if the Board of Directors does not so determine, to the extent that any Shareholder requests a share certificate, share certificates shall be issued under the corporate seal of the Company or its written, typed or stamped name and may bear the signature of one Director, the Company's CEO or of any other person or persons authorized therefor by the Board of Directors. Signatures may be affixed in any mechanical or electronic form, as the Board of Directors may prescribe. For the avoidance of doubt, any transfer agent designated by the Company may issue share certificates on behalf of the Company even if the signatories on the share certificate no longer serve in the relevant capacities at the time of such issuance.

(b) Subject to the Article 9(a), each Shareholder shall be entitled to one numbered certificate for all the shares of any class registered in his name. Each certificate may also specify the amount paid up thereon. The Company (as determined by an officer of the Company to be designated by the Chief Executive Officer) shall not refuse a request by a Shareholder to obtain several certificates in place of one certificate, unless such request is, in the opinion of such officer, unreasonable. Where a Shareholder has sold or transferred some of such Shareholder's shares, such Shareholder shall be entitled to receive a certificate in respect of such Shareholder's remaining shares, provided that the previous certificate is delivered to the Company before the issuance of a new certificate.

(c) A share certificate registered in the names of two or more persons shall be delivered to the person first named in the Register of Shareholders in respect of such co-ownership.

(d) A share certificate which has been defaced, lost or destroyed, may be replaced, and the Company shall issue a new certificate to replace such defaced, lost or destroyed certificate upon payment of such fee, and upon the furnishing of such evidence of ownership and such indemnity, as the Board of Directors in its discretion deems fit.

10. **REGISTERED HOLDER.**

Except as otherwise provided in these Articles or the Companies Law, the Company shall be entitled to treat the registered holder of each share as the absolute owner thereof, and accordingly, shall not, except as ordered by a court of competent jurisdiction, or as required by

the Companies Law, be obligated to recognize any equitable or other claim to, or interest in, such share on the part of any other person.

11. **ISSUANCE AND REPURCHASE OF SHARES.**

(a) The unissued shares from time to time shall be under the control of the Board of Directors (and to the full extent permitted by law any Committee (as defined herein) thereof), which shall have the power to issue or otherwise dispose of shares and of securities convertible or exercisable into or other rights to acquire from the Company to such persons, on such terms and conditions, and whether for consideration or otherwise, or subject to the provisions of the Companies Law, at a discount and/or with payment of commission, and at such times, as the Board of Directors (or the Committee, as the case may be) deems fit, and the power to give to any person the option to acquire from the Company any shares or securities convertible or exercisable into or other rights to acquire from the Company, either at par or at a premium, or, subject as aforesaid, at a discount and/or with payment of commission, during such time and for such consideration as the Board of Directors (or the Committee, as the case may be) deems fit.

(b) The Company may at any time and from time to time, subject to the Companies Law, repurchase or finance the purchase of any shares or other securities issued by the Company, in such manner and under such terms as the Board of Directors shall determine, whether from any one or more Shareholders. Such purchase shall not be deemed as payment of dividends and no Shareholder will have the right to require the Company to purchase his shares or offer to purchase shares from any other Shareholders.

12. **PAYMENT IN INSTALLMENT.**

If pursuant to the terms of issuance of any share, all or any portion of the price thereof shall be payable in installments, every such installment shall be paid to the Company on the due date thereof by the then registered holder(s) of the share or the person(s) then entitled thereto.

13. **REDEEMABLE SHARES.**

The Company may, subject to applicable law, issue redeemable shares or other securities and redeem the same upon terms and conditions to be set forth in a written agreement between the Company and the holder of such shares or in their terms of issuance.

TRANSFER OF SHARES

14. **REGISTRATION OF TRANSFER.**

No transfer of shares shall be registered unless a proper writing or instrument of transfer (in any customary form or any other form satisfactory to the Board of Directors) has been submitted to the Company (or its transfer agent), together with any share certificate(s) and such other evidence of title as the Board of Directors may reasonably require. Notwithstanding anything to the contrary herein, shares registered in the name of The Depository Trust Company or its nominee shall be transferrable in accordance with the policies and procedures of The Depository Trust Company. Until the transferee has been registered in the Register of Shareholders in respect of the shares so transferred, the Company may continue to regard the transferor as the owner thereof. The Board of Directors, may, from time to time, prescribe a fee for the registration of a transfer, and may approve other methods of recognizing the transfer of shares in order to facilitate the trading of the Company's shares on the NASDAQ or on any other stock exchange on which the Company's shares are then listed for trading.

15. **SUSPENSION OF REGISTRATION.**

The Board of Directors may, in its discretion to the extent it deems necessary, close the Register of Shareholders of registration of transfers of shares for a period determined by the Board of Directors, and no registrations of transfers of shares shall be made by the Company during any such period during which the Register of Shareholders is so closed.

TRANSMISSION OF SHARES

16. DECEDENTS' SHARES.

(a) In case of a share registered in the names of two or more holders, the Company may recognize the survivor(s) as the sole owner(s) thereof unless and until the provisions of Article 16(b) have been effectively invoked.

(b) Any person becoming entitled to a share in consequence of the death of any person, upon producing evidence of the grant of probate or letters of administration or declaration of succession (or such other evidence as the Board of Directors may reasonably deem sufficient (or to an officer of the Company to be designated by the Chief Executive Officer)), shall be registered as a Shareholder in respect of such share, or may, subject to the provisions as to transfer contained herein, transfer such share.

17. RECEIVERS AND LIQUIDATORS.

(a) The Company may recognize any receiver, liquidator or similar official appointed to wind-up, dissolve or otherwise liquidate a corporate Shareholder, and a trustee, manager, receiver, liquidator or similar official appointed in bankruptcy or in connection with the reorganization of, or similar proceeding with respect to a shareholder or its properties, as being entitled to the shares registered in the name of such Shareholder.

(b) Such receiver, liquidator or similar official appointed to wind-up, dissolve or otherwise liquidate a corporate Shareholder and such trustee, manager, receiver, liquidator or similar official appointed in bankruptcy or in connection with the reorganization of, or similar proceedings with respect to a shareholder or its properties, upon producing such evidence as the Board of Directors (or an officer of the Company to be designated by the Chief Executive Officer) may deem sufficient as to his authority to act in such capacity or under this Article, shall with the consent of the Board of Directors (which the Board of Directors may grant or refuse in its absolute discretion), be registered as a shareholder in respect of such shares, or may, subject to the regulations as to transfer herein contained, transfer such shares.

GENERAL MEETINGS

18. GENERAL MEETINGS.

(a) An annual General Meeting (“**Annual General Meeting**”) shall be held at such time and at such place, either within or out of the State of Israel, as may be determined by the Board of Directors, no later than fifteen (15) months after the last Annual General Meeting.

(b) All General Meetings other than Annual General Meetings shall be called “**Special General Meetings**”.

19. RECORD DATE FOR GENERAL MEETING.

Notwithstanding any provision of these Articles to the contrary, and to allow the Company to determine the Shareholders entitled to notice of or to vote at any General Meeting or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or grant of any rights, or entitled to exercise any rights in respect of or to take or be the subject of any other action, the Board of Directors may fix a record date, which shall not be more than the maximum period and not less than the minimum period permitted by law. A determination of Shareholders of record entitled to notice of or to vote at a meeting shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

20. **SHAREHOLDER PROPOSAL REQUEST.**

(a) Any Shareholder or Shareholders of the Company holding at least one percent (1%) or a higher percent, as may be required by the Companies Law from time to time, of the voting rights of the Company (the “**Proposing Shareholder(s)**”) may request, subject to the Companies Law, that the Board of Directors include a matter on the agenda of a General Meeting to be held in the future, provided that the Board determines that the matter is appropriate to be considered in a General Meeting (a “**Proposal Request**”). In order for the Board of Directors to consider a Proposal Request and whether to include the matter stated therein in the agenda of a General Meeting, notice of the Proposal Request must be timely delivered in accordance with applicable laws, and the Proposal Request must comply with the requirement of these Articles (including this Article 20) and any applicable law and stock exchange rules and regulations. The Proposal Request must be in writing, signed by all of the Proposing Shareholder(s) making such request, delivered, either in person or by certified mail, postage prepaid, and received by the Secretary (or, in the absence thereof by the Chief Executive Officer of the Company). To be considered timely, a Proposal Request must be received within the time periods prescribed by applicable law. The announcement of an adjournment or postponement of a General Meeting shall not commence a new time period (or extend any time period) for the delivery of a Proposal Request as described above. In addition to any information required to be included in accordance with applicable law, the Proposal Request must include the following: (i) the name, address, telephone number, fax number and email address of the Proposing Shareholder (or each Proposing Shareholder, as the case may be) and, if an entity, the name(s) of the person(s) that controls or manages such entity; (ii) the number of Shares held by the Proposing Shareholder(s), directly or indirectly (and, if any of such Shares are held indirectly, an explanation of how they are held and by whom), which shall be in such number no less than as is required to qualify as a Proposing Shareholder, accompanied by evidence satisfactory to the Company of the record holding of such Shares by the Proposing Shareholder(s) as of the date of the Proposal Request, and a representation that the Proposing Shareholder(s) intends to appear in person or by proxy at the meeting; (iii) the matter requested to be included on the agenda of a General Meeting, all information related to such matter, the reason that such matter is proposed to be brought before the General Meeting, the complete text of the resolution that the Proposing Shareholder proposes to be voted upon at the General Meeting and, if the Proposing Shareholder wishes to have a position statement in support of the Proposal Request, a copy of such position statement that complies with the requirement of any applicable law (if any), (iv) a description of all arrangements or understandings between the Proposing Shareholders and any other Person(s) (naming such Person or Persons) in connection with the matter that is requested to be included on the agenda and a declaration signed by all Proposing Shareholder(s) of whether any of them has a personal interest in the matter and, if so, a description in reasonable detail of such personal interest; (v) a description of all Derivative Transactions (as defined below) by each Proposing Shareholder(s) during the previous twelve (12) month period, including the date of the transactions and the class, series and number of securities involved in, and the material economic terms of, such Derivative Transactions; and (vi) a declaration that all of the information that is required under the Companies Law and any other applicable law and stock exchange rules and regulations to be provided to the Company in connection with such matter, if any, has been provided to the Company. The Board of Directors, may, in its discretion, to the extent it deems necessary, request that the Proposing Shareholder(s) provide additional information necessary so as to include a matter in the agenda of a General Meeting, as the Board of Directors may reasonably require.

A “**Derivative Transaction**” means any agreement, arrangement, interest or understanding entered into by, or on behalf or for the benefit of, any Proposing Shareholder or any of its affiliates or associates, whether of record or beneficial: (1) the value of which is derived in whole or in part from the value of any class or series of shares or other securities of the Company, (2) which otherwise provides any direct or indirect opportunity to gain or share in any gain derived from a change in the value of securities of the Company, (3) the effect or intent of which is to mitigate loss, manage risk or benefit of security value or price changes, or (4) which provides the right to vote or increase or decrease the voting power of, such Proposing Shareholder, or any of its affiliates or associates, with respect to any shares or other securities of the Company, which agreement, arrangement, interest or understanding may include, without limitation, any option, warrant, debt position, note, bond, convertible security, swap, stock appreciation right, short position, profit interest, hedge, right to dividends, voting agreement, performance-related fee or arrangement to borrow or lend shares (whether or not subject to

payment, settlement, exercise or conversion in any such class or series), and any proportionate interest of such Proposing Shareholder in the securities of the Company held by any general or limited partnership, or any limited liability company, of which such Proposing Shareholder is, directly or indirectly, a general partner or managing member.

(b) The information required pursuant to this Article shall be updated as of (i) the record date of the General Meeting, (ii) five business days before the General Meeting, and (iii) as of the General Meeting, and any adjournment or postponement thereof.

(c) The provisions of Articles 20(a) and 20(b) shall apply, *mutatis mutandis*, on any matter to be included on the agenda of a Special General Meeting which is convened pursuant to a request of a Shareholder duly delivered to the Company in accordance with the Companies Law.

21. **NOTICE OF GENERAL MEETINGS; OMISSION TO GIVE NOTICE.**

(a) The Company is not required to give notice of a General Meeting, subject to any mandatory provision of the Companies Law, and any other requirements applicable to the Company. Notwithstanding anything herein to the contrary, to the extent permitted under the Companies Law, with the consent of all Shareholders entitled to vote thereon, a resolution may be proposed and passed at such meeting although a lesser notice period than hereinabove prescribed has been given.

(b) The accidental omission to give notice of a General Meeting to any Shareholder, or the non-receipt of notice sent to such Shareholder, shall not invalidate the proceedings at such meeting or any resolution adopted thereat.

(c) The Company may add additional places for Shareholders to review the full text of the proposed resolutions to be adopted at a General Meeting, including an internet site.

PROCEEDINGS AT GENERAL MEETINGS

22. **QUORUM.**

(a) No business shall be transacted at a General Meeting, or at any adjournment thereof, unless the quorum required under these Articles for such General Meeting or such adjourned meeting, as the case may be, is present when the meeting proceeds to business.

(b) In the absence of contrary provisions in these Articles, two or more Shareholders, present in person or by proxy and holding shares conferring in the aggregate at least one-third (1/3) of the voting power of the Company, shall constitute a quorum of General Meetings. A proxy may be deemed to be two (2) or more Shareholders pursuant to the number of Shareholders represented by the proxy holder.

(c) If within half an hour from the time appointed for the meeting a quorum is not present, then without any further notice the meeting shall be adjourned either (i) to the same day in the next week, at the same time and place, (ii) to such day and at such time and place as indicated in the notice to such meeting, or (iii) to such day and at such time and place as the Chairperson of the General Meeting shall determine (which may be earlier or later than the date pursuant to clause (i) above). No business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting as originally called. At such adjourned meeting, if the original meeting was convened upon requisition under Section 63 of the Companies Law, one or more Shareholders, present in person or by proxy, and holding the number of shares required for making such requisition, shall constitute a quorum, but in any other case any Shareholder (not in default as aforesaid) present in person or by proxy, shall constitute a quorum.

23. **CHAIRPERSON OF GENERAL MEETING.**

The Chairperson of the Board of Directors, shall preside as Chairperson of every General Meeting of the Company. If at any meeting the Chairperson is not present within fifteen (15) minutes after the time fixed for holding the meeting or is unwilling to act as Chairperson, any of the following may preside as Chairperson of the meeting (and in the following order): Director, Chief Executive Officer, Chief Financial Officer, Secretary or any person designated by any of the foregoing. If at any such meeting none of the foregoing persons is present or all are unwilling to act as Chairperson, the Shareholders present (in person or by proxy) shall choose a Shareholder or its proxy present at the meeting to be Chairperson. The office of Chairperson shall not, by itself, entitle the holder thereof to vote at any General Meeting nor shall it entitle such holder to a second or casting vote (without derogating, however, from the rights of such Chairperson to vote as a Shareholder or proxy of a Shareholder if, in fact, he is also a Shareholder or such proxy).

24. **ADOPTION OF RESOLUTIONS AT GENERAL MEETINGS.**

(a) Except as required by the Companies Law or these Articles, including, without limitation, Article 34 below, a resolution of the Shareholders shall be adopted if approved by the holders of a simple majority of the voting power represented at the General Meeting in person or by proxy and voting thereon, as one class, and disregarding abstentions from the count of the voting power present and voting. Without limiting the generality of the foregoing, a resolution with respect to a matter or action for which the Companies Law prescribes a higher majority or pursuant to which a provision requiring a higher majority would have been deemed to have been incorporated into these Articles, but resolutions with respect to which the Companies Law allows the Company's Articles to provide otherwise, shall be adopted by a simple majority of the voting power represented at the General Meeting in person or by proxy and voting thereon, as one class, and disregarding abstentions from the count of the voting power present and voting.

(b) Every question submitted to a General Meeting shall be decided by a show of hands, but the Chairperson of the General Meeting may determine that a resolution shall be decided by a written ballot. A written ballot may be implemented before the proposed resolution is voted upon or immediately after the declaration by the Chairperson of the results of the vote by a show of hands. If a vote by written ballot is taken after such declaration, the results of the vote by a show of hands shall be of no effect, and the proposed resolution shall be decided by such written ballot.

(c) A declaration by the Chairperson of the General Meeting that a resolution has been carried unanimously, or carried by a particular majority, or rejected, and an entry to that effect in the minute book of the Company, shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against such resolution.

25. **POWER TO ADJOURN.**

A General Meeting, the consideration of any matter on its agenda or the resolution on any matter on its agenda, may be postponed or adjourned, from time to time and from place to place: (i) by the Chairperson of a General Meeting at which a quorum is present (and he shall if so directed by the meeting, with the consent of the holders of a majority of the voting power represented in person or by proxy and voting on the question of adjournment), but no business shall be transacted at any such adjourned meeting except business which might lawfully have been transacted at the meeting as originally called, or a matter on its agenda with respect to which no resolution was adopted at the meeting originally called; or (ii) by the Board (whether prior to or at the General Meeting).

26. **VOTING POWER.**

Subject to the provisions of Article 27(a) and to any provision hereof conferring special rights as to voting, or restricting the right to vote, every Shareholder shall have one vote for each share held by him of record, on every resolution, without regard to whether the vote thereon is conducted by a show of hands, by written ballot or by any other means.

(b) Subject to the Companies Law, an instrument appointing a proxy shall be deemed revoked (i) upon receipt by the Company or the Chairperson, subsequent to receipt by the Company of such instrument, of written notice signed by the person signing such instrument or by the Shareholder appointing such proxy canceling the appointment thereunder (or the authority pursuant to which such instrument was signed) or of an instrument appointing a different proxy (and such other documents, if any, required under Article 28(b) for such new appointment), provided such notice of cancellation or instrument appointing a different proxy were so received at the place and within the time for delivery of the instrument revoked thereby as referred to in Article 28(b) hereof, or (ii) if the appointing Shareholder is present in person at the meeting for which such instrument of proxy was delivered, upon receipt by the Chairperson of such meeting of written notice from such Shareholder of the revocation of such appointment, or if and when such Shareholder votes at such meeting. A vote cast in accordance with an instrument appointing a proxy shall be valid notwithstanding the revocation or purported cancellation of the appointment, or the presence in person or vote of the appointing Shareholder at a meeting for which it was rendered, unless such instrument of appointment was deemed revoked in accordance with the foregoing provisions of this Article 29(b) at or prior to the time such vote was cast.

BOARD OF DIRECTORS

30. POWERS OF BOARD OF DIRECTORS.

(a) The Board of Directors may exercise all such powers and do all such acts and things as the Board of Directors is authorized by law or as the Company is authorized to exercise and do and are not hereby or by law required to be exercised or done by the General Meeting. The authority conferred on the Board of Directors by this Article 30 shall be subject to the provisions of the Companies Law, these Articles and any regulation or resolution consistent with these Articles adopted from time to time at a General Meeting, provided, however, that no such regulation or resolution shall invalidate any prior act done by or pursuant to a decision of the Board of Directors which would have been valid if such regulation or resolution had not been adopted.

(b) Without limiting the generality of the foregoing, the Board of Directors may, from time to time, set aside any amount(s) out of the profits of the Company as a reserve or reserves for any purpose(s) which the Board of Directors, in its absolute discretion, shall deem fit, including without limitation, capitalization and distribution of bonus shares, and may invest any sum so set aside in any manner and from time to time deal with and vary such investments and dispose of all or any part thereof, and employ any such reserve or any part thereof in the business of the Company without being bound to keep the same separate from other assets of the Company, and may subdivide or re-designate any reserve or cancel the same or apply the funds therein for another purpose, all as the Board of Directors may from time to time think fit.

31. EXERCISE OF POWERS OF BOARD OF DIRECTORS.

(a) A meeting of the Board of Directors at which a quorum is present shall be competent to exercise all the authorities, powers and discretion vested in or exercisable by the Board of Directors.

(b) A resolution proposed at any meeting of the Board of Directors shall be deemed adopted if approved by a majority of the Directors present, entitled to vote and voting thereon when such resolution is put to a vote. In case of an equality of votes of the Board, the Chairman of the Board shall not have a second casting vote, and the proposed resolution shall be deemed to be defeated.

(c) The Board of Directors may adopt resolutions, without convening a meeting of the Board of Directors, in writing or in any other manner permitted by the Companies Law, provided that all directors entitled to participate in the meeting and to vote on the subject brought for decision agree thereto. If any resolutions are made pursuant to this Article 31(c), the Chairman of the Board shall record minutes of the decisions stating the manner of voting of

each director on the subjects brought for decision as well as the fact that all such directors agreed to take the decision without convening.

(d) The Board may hold meetings by use of any means of communication on the condition that all participating directors can hear each other at the same time.

(e) The Board may, from time to time, in its discretion, borrow or secure any amounts of money required by the Company to conduct its business.

(f) The Board shall be entitled to issue documents of undertaking, such as options, debentures, whether linked or redeemable, convertible debentures or debentures convertible into other securities, or debentures which carry a right to purchase shares or other securities, or any mortgage, pledge, collateral or other charge over the property of the Company and its undertaking, whether present or future, including the uncalled share capital or the share capital which has been called but not yet paid. The deeds of undertaking, debentures of various kinds or other forms of collateral may be issued at a discount, at a premium or otherwise and with such rights as the Board shall determine.

32. **DELEGATION OF POWERS.**

(a) The Board of Directors may, subject to the provisions of the Companies Law, delegate any or all of its powers to committees (in these Articles referred to as a “**Committee of the Board of Directors**”, or “**Committee**”), each consisting of one or more persons (who may or may not be Directors), and it may from time to time revoke such delegation or alter the composition of any such Committee. No regulation imposed by the Board of Directors on any Committee and no resolution of the Board of Directors shall invalidate any prior act done pursuant to a resolution by the Committee which would have been valid if such regulation or resolution of the Board had not been adopted. The meeting and proceedings of any such Committee of the Board of Directors shall, *mutatis mutandis*, be governed by the provisions herein contained for regulating the meetings of the Board of Directors, so far as not superseded by any regulations adopted by the Board of Directors or by the Companies Law. Unless otherwise expressly prohibited by the Board of Directors in delegating powers to a Committee of the Board of Directors, such Committee shall be empowered to further delegate such powers.

(b) Without derogating from the provisions of Article 44, the Board of Directors may from time to time appoint a Secretary to the Company, as well as officers, agents, employees and independent contractors, as the Board of Directors deems fit, and may terminate the service of any such person. The Board of Directors may, subject to the provisions of the Companies Law, determine the powers and duties, as well as the salaries and compensation, of all such persons.

(c) The Board of Directors may from time to time, by power of attorney or otherwise, appoint any person, company, firm or body of persons to be the attorney or attorneys of the Company at law or in fact for such purposes(s) and with such powers, authorities and discretions, and for such period and subject to such conditions, as it deems fit, and any such power of attorney or other appointment may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board of Directors deems fit, and may also authorize any such attorney to delegate all or any of the powers, authorities and discretions vested in him.

33. **NUMBER OF DIRECTORS.**

(a) The Board of Directors shall consist of such number of Directors, not less than five (5) nor more than eleven (11), including the External Directors (if any), which will be elected if and as required under the Companies Law, as may be fixed from time to time by the Board of Directors.

(b) Notwithstanding anything to the contrary herein, this Article 33 may only be amended or replaced by a resolution adopted at a General Meeting by a majority of 65% of the voting power represented at the General Meeting in person or by proxy and voting thereon, disregarding abstentions from the count of the voting power present and voting.

34. **ELECTION AND REMOVAL OF DIRECTORS.**

- (a) Other than External Directors, if any (who shall be elected and serve in office in strict accordance with the provisions of Israeli law), Directors of the Company shall be elected solely at an Annual General Meeting and shall serve in their office until the next Annual General Meeting, or until they cease to serve in their office in accordance with the provisions of the Articles or any law, whichever is earlier.
- (b) Prior to every Annual General Meeting of the Company, and subject to clauses (a) and (f) of this Article, the Board of Directors (or a Committee thereof) shall select, by a resolution adopted by a majority of the Board of Directors (or such Committee), a number of Persons to be proposed to the Shareholders for election as Directors at such Annual General Meeting (the “**Nominees**”).
- (c) Any Proposing Shareholder requesting to include on the agenda of an Annual General Meeting a nomination of a Person to be proposed to the Shareholders for election as Director (such person, an “**Alternate Nominee**”), may so request provided that it complies with this Article 34(c) and Article 20 and applicable law. Unless otherwise determined by the Board, a Proposal Request relating to Alternate Nominee is deemed to be a matter that is appropriate to be considered only in an Annual General Meeting. In addition to any information required to be included in accordance with applicable law, such a Proposal Request shall include information required pursuant to Article 20, and shall also set forth: (i) the name, address, telephone number, fax number and email address of the Alternate Nominee and all citizenships and residencies of the Alternate Nominee; (ii) a description of all arrangements, relations or understandings between the Proposing Shareholder(s) or any of its affiliates and each Alternate Nominee; (iii) a declaration signed by the Alternate Nominee that he consents to be named in the Company’s notices and proxy materials relating to the Annual General Meeting, if provided or published, and, if elected, to serve on the Board of Directors and to be named in the Company’s disclosures and filings, (iv) a declaration signed by each Alternate Nominee as required under the Companies Law and any other applicable law and stock exchange rules and regulations for the appointment of such an Alternate Nominee and an undertaking that all of the information that is required under law and stock exchange rules and regulations to be provided to the Company in connection with such an appointment has been provided (including, information in respect of the Alternate Nominee as would be provided in response to the applicable disclosure requirements under Form 20-F or any other applicable form prescribed by the U.S. Securities and Exchange Commission); (v) a declaration made by the Alternate Nominee of whether he or she meets the criteria for an independent director and/or External Director of the Company under the Companies Law and/or under any applicable law, regulation or stock exchange rules, and if not, then an explanation of why not; and (vi) any other information required at the time of submission of the Proposal Request by applicable law, regulations or stock exchange rules. In addition, the Proposing Shareholder shall promptly provide any other information reasonably requested by the Company. The Board of Directors may refuse to acknowledge the nomination of any person not made in compliance with the foregoing. The Company shall be entitled to publish any information provided by a Proposing Shareholder pursuant to this Article 34(c) and Article 20, and the Proposing Shareholder shall be responsible for the accuracy and completeness thereof.
- (d) The Nominees or Alternate Nominees shall be elected by a resolution adopted at the Annual General Meeting at which they are subject to election.
- (e) Notwithstanding anything to the contrary herein, this Article 34 and Article 37(e) may only be amended, replaced or suspended by a resolution adopted at a General Meeting by a majority of 65% of the voting power represented at the General Meeting in person or by proxy and voting thereon, disregarding abstentions from the count of the voting power present and voting.
- (f) Notwithstanding anything to the contrary in these Articles, the election, qualification, removal or dismissal of External Directors shall be only in accordance with the applicable provisions set forth in the Companies Law.

35. **COMMENCEMENT OF DIRECTORSHIP.**

Without derogating from Article 34, the term of office of a Director shall commence as of the date of his appointment or election, or on a later date if so specified in his appointment or election.

36. **CONTINUING DIRECTORS IN THE EVENT OF VACANCIES.**

The Board may at any time and from time to time appoint any person as a Director to fill a vacancy (whether such vacancy is due to a Director no longer serving or due to the number of Directors serving being less than the maximum number stated in Article 33 hereof). In the event of one or more such vacancies in the Board of Directors, the continuing Directors may continue to act in every matter, provided, however, that if they number less than the minimum number provided for pursuant to Article 33 hereof, they may only act in an emergency or to fill the office of director which has become vacant up to a number equal to the minimum number provided for pursuant to Article 33 hereof. The office of a Director that was appointed by the Board of Directors to fill any vacancy shall only be for the remaining period of time during which the Director whose service has ended was filled would have held office, or in case of a vacancy due to the number of Directors serving being less than the maximum number stated in Article 33 hereof, the Board shall determine at the time of appointment the class pursuant to Article 34 to which the additional Director shall be assigned.

37. **VACATION OF OFFICE.**

The office of a Director shall be vacated and he or she shall be dismissed or removed:

- (a) *ipso facto*, upon his or her death;
- (b) if he or she is prevented by applicable law from serving as a Director;
- (c) if he or she is declared bankrupt;
- (d) if the Board determines that due to his or her mental or physical state he or she is unable to serve as a director;
- (e) if his or her directorship expires pursuant to these Articles and/or applicable law, including but not limited to instances in which the Board terminated the office of such director in accordance with Section 231 of the Companies Law or due to a court given order in accordance with Section 233 of the Companies Law;
- (f) by a resolution adopted at a General Meeting by a majority of 65% of the voting power represented at the General Meeting in person or by proxy and voting thereon, disregarding abstentions from the count of the voting power present and voting. Such removal shall become effective on the date fixed in such resolution;
- (g) by his or her written resignation, such resignation becoming effective on the date fixed therein, or upon the delivery thereof to the Company, whichever is later; or
- (h) with respect to an External Director, and notwithstanding anything to the contrary herein, only pursuant to applicable law.

38. **CONFLICT OF INTERESTS; APPROVAL OF RELATED PARTY TRANSACTIONS.**

Subject to the provisions of the Companies Law and these Articles, no Director shall be disqualified by virtue of his office from holding any office or place of profit in the Company or in any company in which the Company shall be a Shareholder or otherwise interested, or from contracting with the Company as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested, be avoided, nor, other than as required under the

Companies Law, shall any Director be liable to account to the Company for any profit arising from any such office or place of profit or realized by any such contract or arrangement by reason only of such Director's holding that office or of the fiduciary relations thereby established, but the nature of his interest, as well as any material fact or document, must be disclosed by him at the meeting of the Board of Directors at which the contract or arrangement is first considered, if his interest then exists, or, in any other case, at no later than the first meeting of the Board of Directors after the acquisition of his interest.

39. **ALTERNATE DIRECTORS.**

(a) Subject to the provisions of the Companies Law, a Director may, by written notice to the Company, appoint, remove or replace any person as an alternate for himself; provided that the appointment of such person shall have effect only upon and subject to its being approved by the Board (in these Articles, an "**Alternate Director**"). Unless the appointing Director, by the instrument appointing an Alternate Director or by written notice to the Company, limits such appointment to a specified period of time or restricts it to a specified meeting or action of the Board of Directors, or otherwise restricts its scope, the appointment shall be for all purposes, and for a period of time concurrent with the term of the appointing Director.

(b) Any notice to the Company pursuant to Article 39(a) shall be given in writing to the Chairperson of the Board of Directors, or by sending the same in writing to the attention of the Chairperson of the Board of Directors at the principal office of the Company or to such other person or place as the Board of Directors shall have determined for such purpose, and shall become effective on the date fixed therein, upon the receipt thereof by the Company (at the place as aforesaid) or upon the approval of the appointment by the Board, whichever is later.

(c) An Alternate Director shall have all the rights and obligations of the Director who appointed him, provided however, that (i) he may not in turn appoint an alternate for himself (unless the instrument appointing him otherwise expressly provides), and (ii) an Alternate Director shall have no standing at any meeting of the Board of Directors or any Committee thereof while the Director who appointed him is present.

(d) Any individual, who qualifies to be a member of the Board of Directors, may act as an Alternate Director. One person may not act as Alternate Director for several directors.

(e) The office of an Alternate Director shall be vacated under the circumstances, *mutatis mutandis*, set forth in Article 37, and such office shall ipso facto be vacated if the office of the Director who appointed such Alternate Director is vacated, for any reason.

PROCEEDINGS OF THE BOARD OF DIRECTORS

40. **MEETINGS.**

(a) The Board of Directors may meet and adjourn its meetings and otherwise regulate such meetings and proceedings as the Directors think fit.

(b) Any Director may at any time, and the Secretary, upon the request of such Director, shall, convene a meeting of the Board of Directors, but not less than forty-eight (48) hours' notice shall be given of any meeting so convened, unless such notice is waived by all of the Directors as to a particular meeting or unless the matters to be discussed at such meeting are of such urgency and importance, as determined by the Chairperson, that notice ought reasonably to be waived under the circumstances.

(c) Notice of any such meeting shall be given at least 24 hours in advance, unless the urgency of the matter to be discussed at the meeting reasonably necessitates a shorter notice, and in writing and in accordance with Article 62.

41. **QUORUM.**

Until otherwise unanimously decided by the Board of Directors, a quorum at a meeting of the Board of Directors shall be constituted by the presence in person or by any means of communication of a majority of the Directors then in office who are lawfully entitled to participate and vote in the meeting. No business shall be transacted at a meeting of the Board of Directors unless the requisite quorum is present (in person or by any means of communication) when the meeting proceeds to business.

42. **CHAIRPERSON OF THE BOARD OF DIRECTORS.**

The Board of Directors shall, from time to time, elect one of its members to be the Chairperson of the Board of Directors, remove such Chairperson from office and appoint in his place. The Chairperson of the Board of Directors shall preside at every meeting of the Board of Directors, but if there is no such Chairperson, or if at any meeting he is not present within fifteen (15) minutes of the time fixed for the meeting or if he is unwilling to take the chair, the Directors present shall choose one of the Directors present at the meeting to be the Chairperson of such meeting. The office of Chairperson of the Board of Directors shall not, by itself, entitle the holder to a second or casting vote.

43. **VALIDITY OF ACTS DESPITE DEFECTS.**

(a) All acts done or transacted at any meeting of the Board of Directors, or of a Committee of the Board of Directors, or by any person(s) acting as Director(s), shall, notwithstanding that it may afterwards be discovered that there was some defect in the appointment of the participants in such meeting or any of them or any person(s) acting as aforesaid, or that they or any of them were disqualified, be as valid as if there were no such defect or disqualification.

(b) The General Meeting shall be entitled to ratify any act taken by the Board or any committee without authority or which was tainted by some other defect. From the time of such ratification, every act ratified shall be treated as though lawfully preformed from the outset.

CHIEF EXECUTIVE OFFICER

44. **CHIEF EXECUTIVE OFFICER.**

(a) The Board of Directors shall from time to time appoint one or more persons, whether or not Directors, as Chief Executive Officer of the Company and may confer upon such person(s), and from time to time modify or revoke, such titles and such duties and authorities of the Board of Directors as the Board of Directors may deem fit, subject to such limitations and restrictions as the Board of Directors may from time to time prescribe. Such appointment(s) may be either for a fixed term or without any limitation of time, and the Board of Directors may from time to time (subject to any additional approvals required under, and the provisions of, the Companies Law and of any contract between any such person and the Company) fix their salaries and compensation, remove or dismiss them from office and appoint another or others in his or their place or places.

(b) Unless otherwise determined by the Board of Directors, the Chief Executive Officer shall have authority with respect to the management and operations of the Company in the ordinary course of business.

MINUTES

45. **MINUTES.**

Any minutes of the General Meeting or the Board of Directors or any committee thereof, if purporting to be signed by the Chairperson of the General Meeting, the Board or a committee thereof, as the case may be, or by the Chairperson of the next succeeding General Meeting, meeting of the Board or meeting of a committee thereof, as the case may be, shall constitute prima facie evidence of the matters recorded therein.

DIVIDENDS

46. **DECLARATION OF DIVIDENDS.**

The Board of Directors may from time declare, and cause the Company to pay, such dividend as may appear to the Board of Directors to be justified by the profits of the Company and as permitted by the Companies Law. The Board of Directors shall determine the time for payment of such dividends and the record date for determining the Shareholders entitled thereto.

47. **AMOUNT PAYABLE BY WAY OF DIVIDENDS.**

(a) Subject to the provisions of these Articles and subject to the rights or conditions attached at that time to any share in the capital of the Company granting preferential, special or deferred rights or not granting any rights with respect to dividends, any dividend paid by the Company shall be allocated among the shareholders entitled thereto in proportion to their respective holdings of the shares in respect of which such dividends are being paid.

48. **INTEREST.**

No dividend shall carry interest as against the Company.

49. **CAPITALIZATION OF PROFITS, RESERVES, ETC.**

The Board of Directors may determine that the Company (i) may cause any moneys, investments, or other assets forming part of the undivided profits of the Company, standing to the credit of a reserve fund, or to the credit of a reserve fund for the redemption of capital, or in the hands of the Company and available for dividends, or representing premiums received on the issuance of shares and standing to the credit of the share premium account, to be capitalized and distributed among such of the Shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportion, on the footing that they become entitled thereto as capital; and (ii) may cause such distribution or payment to be accepted by such Shareholders in full satisfaction of their interest in the said capitalized sum.

50. **IMPLEMENTATION OF POWERS.**

For the purpose of giving full effect to any resolution under Article 49, and without derogating from the provisions of Article 51 hereof, the Board of Directors may settle any difficulty which may arise in regard to the distribution as it thinks expedient, and, in particular, may fix the value for distribution of any specific assets and may determine that cash payments shall be made to any Shareholders upon the footing of the value so fixed, or that fractions of less value than a certain determined value may be disregarded in order to adjust the rights of all parties, and may vest any such cash, shares, debentures, debenture stock or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalized fund as may seem expedient to the Board of Directors. Where requisite, a proper contract shall be filed in accordance with Section 291 of the Companies Law, and the Board of Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalized fund.

51. **UNCLAIMED DIVIDENDS.**

All unclaimed dividends or other moneys payable in respect of a share may be invested or otherwise made use of by the Board of Directors for the benefit of the Company until claimed. The payment by the Directors of any unclaimed dividend or such other moneys into a separate account shall not constitute the Company a trustee in respect thereof, and any dividend unclaimed after a period of seven years from the date of declaration of such dividend, and any such other moneys unclaimed after a like period from the date the same were payable, shall be forfeited and shall revert to the Company, provided, however, that the Board of Directors may, at its discretion, cause the Company to pay any such dividend or such other moneys, or any part thereof, to a person who would have been entitled thereto had the same not reverted to the Company. The principal (and only the principal) of any unclaimed dividend of such other moneys shall be, if claimed, paid to a person entitled thereto.

52. **MECHANICS OF PAYMENT.**

Any dividend or other moneys payable in cash in respect of a share may be paid by check or payment order sent through the post to, or left at, the registered address of the person entitled thereto or by transfer to a bank account specified by such person (or, if two or more persons are registered as joint holders of such share or are entitled jointly thereto in consequence of the death or bankruptcy of the holder or otherwise, to the joint holder whose name is registered first in the Register of Shareholders or his bank account or the person who the Company may then recognize as the owner thereof or entitled thereto under Article 16 or 17 hereof, as applicable, or such person's bank account), or to such person and at such other address as the person entitled thereto may by writing direct, or in any other manner the Board deems appropriate. Every such check or warrant or other method of payment shall be made payable to the order of the person to whom it is sent, or to such person as the person entitled thereto as aforesaid may direct, and payment of the check or warrant by the banker upon whom it is drawn shall be a good discharge to the Company.

53. **RECEIPT FROM A JOINT HOLDER.**

If two or more persons are registered as joint holders of any share, or are entitled jointly thereto in consequence of the death or bankruptcy of the holder or otherwise, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable in respect of such share.

ACCOUNTS

54. **BOOKS OF ACCOUNT.**

The Company's books of account shall be kept at the Office of the Company, or at such other place or places as the Board of Directors may think fit, and they shall always be open to inspection by all Directors. No Shareholder, not being a Director, shall have any right to inspect any account or book or other similar document of the Company, except as conferred by law or authorized by the Board of Directors. The Company shall make copies of its annual financial statements available for inspection by the Shareholders at the principal offices of the Company. The Company shall not be required to send copies of its annual financial statements to the Shareholders.

55. **AUDITORS.**

The appointment, authorities, rights and duties of the auditor(s) of the Company, shall be regulated by applicable law, provided, however, that in exercising its authority to fix the remuneration of the auditor(s), the Shareholders in General Meeting may act (and in the absence of any action in connection therewith shall be deemed to have so acted) to authorize the Board of Directors (with right of delegation to management) to fix such remuneration subject to such criteria or standards, and if no such criteria or standards are so provided, such remuneration shall be fixed in an amount commensurate with the volume and nature of the services rendered by such auditor(s).

SUPPLEMENTARY REGISTERS

56. **SUPPLEMENTARY REGISTERS.**

Subject to and in accordance with the provisions of Sections 138 and 139 of the Companies Law, the Company may cause supplementary registers to be kept in any place outside Israel as the Board of Directors may think fit, and, subject to all applicable requirements of law, the Board of Directors may from time to time adopt such rules and procedures as it may think fit in connection with the keeping of such branch registers.

EXEMPTION, INDEMNITY AND INSURANCE

57. INSURANCE.

Subject to the provisions of the Companies Law with regard to such matters, the Company may enter into a contract for the insurance of the liability, in whole or in part, of any of its Office Holders imposed on such Office Holder due to an act performed by or an omission of the Office Holder in the Office Holder's capacity as an Office Holder of the Company arising from any matter permitted by law, including the following:

- (a) a breach of duty of care to the Company or to any other person;
- (b) a breach of duty of loyalty to the Company, provided that the Office Holder acted in good faith and had reasonable grounds to assume that the act that resulted in such breach would not prejudice the interests of the Company;
- (c) a financial liability imposed on such Office Holder in favor of any other person in his or her capacity as an Office Holder; and
- (d) any other event, occurrence, matter or circumstance under any law with respect to which the Company may, or will be able to, insure an Office Holder, and to the extent such law requires the inclusion of a provision permitting such insurance in these Articles, then such provision is deemed to be included and incorporated herein by reference (including, without limitation, in accordance with Section 56h(b)(1) of the Securities Law, if and to the extent applicable, and Section 50P of the RTP Law).

58. INDEMNITY.

(a) Subject to the provisions of the Companies Law, the Company may retroactively indemnify an Office Holder of the Company with respect to the following liabilities and expenses, provided that such liabilities or expenses were imposed on such Office Holder or incurred by such Office Holder due to an act performed by or an omission of the Office Holder in such Office Holder's capacity as an Office Holder of the Company:

- (i) a financial liability imposed on an Office Holder in favor of another person by any court judgment, including a judgment given as a result of a settlement or an arbitrator's award which has been confirmed by a court in respect of an act performed by the Office Holder; provided, however, that any such indemnification shall be limited to: (a) events which, to the opinion of the Board, are foreseeable in light of the Company's actual operations at the time of granting such indemnification, and (b) such events deemed by the Board to be foreseeable are listed in the indemnification undertaking together with a set amount or criteria determined by the Board to be reasonable;
- (ii) reasonable litigation expenses, including attorneys' fees, expended by the Office Holder as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, or in connection with a financial sanction, provided that (1) no indictment (as defined in the Companies Law) was filed against such office holder as a result of such investigation or proceeding; and (2) no financial liability in lieu of a criminal proceeding (as defined in the Companies Law) was imposed upon him or her as a result of such investigation or proceeding or if such financial liability was imposed, it was imposed with respect to an offence that does not require proof of criminal intent;
- (iii) reasonable litigation costs, including attorney's fees, expended by an Office Holder or which were imposed on an Office Holder by a court in proceedings filed against the Office Holder by the Company or in its name or by any other person or in a criminal charge in respect of which the Office Holder was acquitted or in a criminal charge in respect of which the Office Holder was convicted for an offence which did not require proof of criminal intent; and
- (iv) any other event, occurrence, matter or circumstance under any law with respect to which the Company may, or will be able to, indemnify an Office Holder, and to the

extent such law requires the inclusion of a provision permitting such indemnity in these Articles, then such provision is deemed to be included and incorporated herein by reference (including, without limitation, in accordance with Section 56h(b)(1) of the Securities Law, if and to the extent applicable, and Section 50P(b)(1) of the RTP Law).

(b) Subject to the provisions of the Companies Law, the Company may undertake to indemnify an Office Holder, in advance, with respect to those liabilities and expenses described in the following Articles:

(i) Sub-Article 60(a)(ii) to 60(a)(iv); and

(ii) Sub-Article 60(a)(i), provided that:

(1) the undertaking to indemnify is limited to such events which the Board of Directors shall deem to be likely to occur in light of the operations of the Company at the time that the undertaking to indemnify is made and for such amounts or criterion which the Directors may, at the time of the giving of such undertaking to indemnify, deem to be reasonable under the circumstances; and

(2) the undertaking to indemnify shall set forth such events which the Directors shall deem to be likely to occur in light of the operations of the Company at the time that the undertaking to indemnify is made, and the amounts and/or criterion which the Directors may, at the time of the giving of such undertaking to indemnify, deem to be reasonable under the circumstances.

59. **EXEMPTION.**

Subject to the provisions of the Companies Law and the Securities Law, the Company hereby exempts and releases, in advance, any Office Holder from any liability to the Company for damages arising out of a breach of the Office Holder's duty of care towards the Company.

60. **GENERAL.**

(a) Any amendment to the Companies Law adversely affecting the right of any Office Holder to be indemnified or insured pursuant to Articles 57 to 59 and any amendments to Articles 57 to 59 shall be prospective in effect, and shall not affect the Company's obligation or ability to indemnify or insure an Office Holder for any act or omission occurring prior to such amendment, unless otherwise provided by applicable law.

(b) The provisions of Articles 57 to 59 (i) shall apply to the maximum extent permitted by law (including, the Companies Law, the Securities Law and the RTP Law); and (ii) are not intended, and shall not be interpreted so as to restrict the Company, in any manner, in respect of the procurement of insurance and/or in respect of indemnification (whether in advance or retroactively) and/or exemption, in favor of any person who is not an Office Holder, including, without limitation, any employee, agent, consultant or contractor of the Company who is not an Office Holder; and/or any Office Holder to the extent that such insurance and/or indemnification is not specifically prohibited under law.

WINDING UP

61. **WINDING UP.**

If the Company is wound up, then, subject to applicable law and to the rights of the holders of shares with special rights upon winding up, the assets of the Company available for distribution among the Shareholders shall be distributed to them in proportion to the nominal value of their respective holdings of the shares in respect of which such distribution is being made.

NOTICES

62. NOTICES.

- (a) Any written notice or other document may be served by the Company upon any Shareholder either personally, by facsimile, email or other electronic transmission, or by sending it by prepaid mail (airmail if sent internationally) addressed to such Shareholder at his address as described in the Register of Shareholders or such other address as he may have designated in writing for the receipt of notices and other documents.
- (b) Any written notice or other document may be served by any Shareholder upon the Company by tendering the same in person to the Secretary or the Chief Executive Officer of the Company at the principal office of the Company, by facsimile transmission, or by sending it by prepaid registered mail (airmail if posted outside Israel) to the Company at its Office.
- (c) Any such notice or other document shall be deemed to have been served:
- (i) in the case of mailing, forty-eight (48) hours after it has been posted, or when actually received by the addressee if sooner than forty-eight hours after it has been posted;
 - (ii) in the case of overnight air courier, on the next business day following the day sent, with receipt confirmed by the courier, or when actually received by the addressee if sooner than three business days after it has been sent;
 - (iii) in the case of personal delivery, when actually tendered in person, to such addressee; or
 - (iv) in the case of facsimile, email or other electronic transmission, on the first business day (during normal business hours in place of addressee) on which the sender receives automatic electronic confirmation by the addressee's facsimile machine that such notice was received by the addressee or delivery confirmation from the addressee's email or other communication server.
- (d) If a notice is, in fact, received by the addressee, it shall be deemed to have been duly served, when received, notwithstanding that it was defectively addressed or failed, in some other respect, to comply with the provisions of this Article 64.
- (e) All notices to be given to the Shareholders shall, with respect to any share to which persons are jointly entitled, be given to whichever of such persons is named first in the Register of Shareholders, and any notice so given shall be sufficient notice to the holders of such share.
- (f) Any Shareholder whose address is not described in the Register of Shareholders, and who shall not have designated in writing an address for the receipt of notices, shall not be entitled to receive any notice from the Company.
- (g) Notwithstanding anything to the contrary contained herein, notice by the Company of a General Meeting, containing the information required by applicable law and these Articles to be set forth therein, which is published, within the time otherwise required for giving notice of such meeting, in:
- (i) at least two daily newspapers in the State of Israel shall be deemed to be notice of such meeting duly given, for the purposes of these Articles, to any Shareholder whose address as registered in the Register of Shareholders (or as designated in writing for the receipt of notices and other documents) is located in the State of Israel; and
 - (ii) one daily newspaper in the City of New York and in one international wire service shall be deemed to be notice of such meeting duly given, for the purposes of these Articles, to any Shareholder whose address as registered in the Register of

Shareholders (or as designated in writing for the receipt of notices and other documents) is located outside the State of Israel.

(h) The mailing or publication date and the date of the meeting shall be counted as part of the days comprising any notice period.

* * *

June 22, 2020

To:
PolyPid Ltd.
18 Hasivim St.
Petach Tikva 4959376, Israel

Re: **Registration Statement on Form F-1**

Ladies and Gentlemen:

We have acted as Israeli counsel to PolyPid Ltd. (the “**Company**”), an Israeli company, in connection with the registration by the Company of ordinary shares, par value NIS 0.80 per share of the Company (the “**Ordinary Shares**”), including Ordinary Shares issuable upon exercise of the underwriters’ over-allotment option, in connection with an underwritten public offering of the Company (the “**Offering**”).

In connection with this opinion, we have examined the originals, or photocopies or copies, certified or otherwise identified to our satisfaction, of registration statement on Form F-1 (Registration Statement No. 333-238978) (the “**Registration Statement**”) filed by the Company with the SEC and as to which this opinion is filed as an exhibit, the exhibits to the Registration Statement including the form of Underwriting Agreement between the Company and Barclays Capital Inc., as representative of the underwriters listed therein, copies of the Company’s articles of association, resolutions of the Company’s Board of Directors (the “**Board**”) which have heretofore been approved and relate to the Offering, and such statutes, regulations, corporate records, documents, certificates and such other instruments that we have deemed relevant and necessary for the basis of our opinions hereinafter expressed. In such examination, we have assumed: (i) the authenticity of original documents and the genuineness of all signatures; (ii) the conformity to the originals of all documents submitted to us as copies; (iii) the truth, accuracy and completeness of the information, representations and warranties contained in the corporate records, documents, certificates and instruments we have reviewed; (iv) the due execution and delivery of all documents where due execution and delivery are a prerequisite to the effectiveness thereof; and (v) the legal capacity of all natural persons.

We are members of the Israel Bar and we express no opinion as to any matter relating to the laws of any jurisdiction other than the laws of the State of Israel and have not, for the purpose of giving this opinion, made any investigation of the laws of any other jurisdiction than the State of Israel.

Based upon and subject to the foregoing, we are of the opinion that (i) the Ordinary Shares have been duly authorized for issuance by all necessary corporate action by the Company; and (ii) upon payment to the Company of the consideration in such amount and form as shall be determined by the Board or an authorized committee thereof, the Ordinary Shares, when issued and sold in the Offering as described in the Registration Statement (including any additional Ordinary Shares pursuant to Rule 462(b) under the Securities Act), will be duly and validly issued, fully paid and non-assessable.

We hereby consent to the filing of this opinion as an exhibit to the Company’s Registration Statement and to the use of our name wherever it appears in the Registration Statement. In giving such consent, we do not believe that we are “experts” within the meaning of such term as used in the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission issued thereunder with respect to any part of the Registration Statement, including this opinion as an exhibit or otherwise.

We further consent to the incorporation by reference of this letter and consent into any registration statement filed pursuant to Rule 462(b) under the Securities Act with respect to the Ordinary Shares.

Very truly yours,

/s/ Sullivan & Worcester Israel (Har-Even & Co.)

Sullivan & Worcester Israel (Har-Even & Co.)

POLYPID LTD.
(the “*Company*”)

OFFICER INDEMNITY AND EXCULPATION AGREEMENT

THIS AGREEMENT, dated as of _____, is between PolyPid Ltd., a company incorporated under the laws of the State of Israel (the “*Company*”), and _____, a director or officer of the Company (the “*Indemnitee*”).

WHEREAS, _____ the Indemnitee is an Officer (as defined below) of the Company;

WHEREAS, _____ both the Company and the Indemnitee recognize the increased risk of litigation, investigations and other claims being asserted against Officers of a publically traded company;

WHEREAS, _____ the Articles of Association of the Company (the “*Articles of Association*”) authorize the Company to indemnify Officers to the greatest extent permitted by law;

WHEREAS, _____ in recognition of the Indemnitee’s need for substantial protection against personal liability in order to assure the Indemnitee’s continued service to the Company in an effective manner and the Indemnitee’s reliance on the aforesaid Articles of Association and, in part, to provide the Indemnitee with specific contractual assurance that the protection promised by the Articles of Association will be available to the Indemnitee (regardless of, among other things, any amendment thereto or revocation thereof or any change in the composition of the Company’s Board of Directors (the “*Board of Directors*”) or the Company’s management, or any acquisition of the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancing of Expenses (as defined below) (whether partial or complete) to the Indemnitee to the fullest extent permitted by law and as set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and intending to be legally bound hereby, the parties hereto agree

1. Certain Definitions.

1.1. “*Change of Control*” means any merger or consolidation of the Company with or into another entity, other corporate reorganization, sale of control, or any transaction in which all or substantially all of the assets or shares of the Company are sold.

1.2. “*Companies Law*” means the Israeli Companies Law, 5759-1999, as amended.

1.3. “*Expenses*” includes any reasonable costs of litigation, including attorney’s fees, expended by the Indemnitee or for which the Indemnitee has been charged by a court. Expenses shall also include, without limitation and to the fullest extent permitted by applicable law, all expenses reasonably incurred in defending any claim (including investigation and pre-litigation negotiations), being a witness in or participating in (including on appeal), or preparing to defend, being a witness in or participate in any claim relating to any Indemnifiable Event (as defined below) and any security or bond that the Indemnitee may be required to post in connection with an Indemnifiable Event.

1.4. “*Officer*” means “*Office Holder*” as such term is defined in the Companies Law.

1.5. “*Securities Law*” means the Israeli Securities Law, 5728-1968, as amended.

2. Indemnification and Advance of Expenses.

2.1. The Company hereby undertakes to indemnify the Indemnitee to the fullest extent permitted by applicable law, for any liability and Expense that may be imposed on the Indemnitee due to an act performed or failure to act by him, prior or after the date hereof, in his capacity as an Officer of the Company or any subsidiary of the Company or any entity in which the Indemnitee serves as an Officer at the request of the Company either prior to or after the date hereof for (the following shall be hereinafter referred to as “**Indemnifiable Events**”):

2.1.1. monetary liability imposed on the Indemnitee in favor of a third party in a court judgment (which third parties include, without limitation and to the fullest extent permitted by applicable law, any governmental entity), including a settlement or an arbitral award confirmed by a court; and

2.1.2. reasonable costs of litigation, including attorney’s fees, expended by the Indemnitee as a result of an investigation or proceeding instituted against the Indemnitee by a competent authority, provided that such investigation or proceeding (i) is concluded without the filing of an indictment against the Indemnitee (as defined in the Companies Law) or the imposition of any financial liability in lieu of criminal proceedings (as defined in the Companies Law), or (ii) is concluded without the filing of an indictment against the Indemnitee and a financial liability was imposed on the Indemnitee in lieu of criminal proceedings with respect to a criminal offense in which a proof of criminal intent is not required, or (iii) is in connection with a monetary sanction pursuant to the Companies Law or the Securities Law; and

2.1.3. reasonable costs of litigation, including attorney’s fees, expended by the Indemnitee or for which the Indemnitee has been charged by a court, (a) in an action brought against the Indemnitee by or on behalf of the Company or a third party, or (b) in a criminal action in which the Indemnitee was found innocent, or (c) in a criminal offense in which the Indemnitee was convicted and in which a proof of criminal intent is not required; and

2.1.4. a payment which the Office Holder is obligated to make to an injured party as set forth in Section 52(54)(a)(1)(a) of the Securities Law; and

2.1.5. any other circumstances arising under Israeli law in respect of which the Company may indemnify an Officer of the Company.

2.2. The indemnification undertaking made by the Company pursuant to Section 2.1 above shall be only with respect to such events as are described in Schedule A attached hereto and additional events that the Board of Directors determines from time to time are reasonable under the circumstances, at least to the maximum amount payable under the Company’s D&O Insurance (as defined below).

2.3. Subject to applicable law and to the other provisions of this Agreement, if so requested by the Indemnitee, the Company shall advance an amount (or amounts) estimated by the Company to cover the Indemnitee’s reasonable litigation expenses with respect to which the Indemnitee is entitled to be indemnified under Sections 2.1 and 2.2 above, subject to Section 3, 4 and 5 below. The Company will also make available to the Indemnitee any security or guarantee that may be required to post in accordance with an interim decision given by a court or an arbitrator in proceedings with respect to which the Indemnitee is entitled to be indemnified under Sections 2.1 and 2.2 above, subject to Section 3, 4 and 5 below, including for the purpose of substituting liens imposed on the Indemnitee’s assets.

2.4. The Company’s obligation to indemnify the Indemnitee and advance expenses in accordance with this Agreement shall be for such period as the Indemnitee shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding or any inquiry or investigation, whether civil, criminal or investigative, arising out of the Indemnitee’s

service in the foregoing positions, whether or not the Indemnitee is still serving in such positions.

2.5. All amounts paid as indemnification pursuant hereto will be grossed-up to cover any tax payments the Indemnitee may be required to make if the indemnification payments are taxable to the Indemnitee.

3. Insurance

3.1. As long as the Indemnitee continues to serve as an Officer, the Company shall procure directors' and officers' liability insurance (which shall include without limitation provisions according to which the insurance shall continue to be in effect following the cessation of the Indemnitee's position in the Company with respect to events that occurred prior to such cessation) to the fullest extent permitted by law ("**D&O Insurance**"), in such amount (per claim and per period) as the Company shall deem appropriate and in accordance to the provisions of the Companies Law.

3.2. Indemnitee shall be covered by the D&O Insurance and by any other insurance policy or policies providing liability insurance for directors, officers, employees, or agents or fiduciaries of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person serves at the request of the Company, in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies.

3.3. At the time of the receipt by the Company of a notice of a claim pursuant to Section 8 hereof, the Company shall give prompt notice of the commencement of such Proceeding to the D&O Insurance insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all reasonably necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such action, suit, proceeding, inquiry or investigation in accordance with the terms of such policies.

3.4. The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise, except for the difference, if any, between the amounts actually received by the Indemnitee as aforesaid and the total Expenses incurred by Indemnitee in connection therewith.

4. General Limitations on Indemnification.

4.1. Notwithstanding anything to the contrary in this Agreement, the Company shall not indemnify or advance Expenses to Indemnitee: (i) with respect to a counterclaim made by the Company or in its name in connection with a claim against the Company filed by the Indemnitee; or (ii) if, when and to the extent that the Indemnitee would not be permitted to be so indemnified under Israeli law. The Company shall be entitled to be reimbursed by the Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid (unless the Indemnitee has commenced legal proceedings in a court of competent jurisdiction to secure a determination that the Indemnitee should be indemnified under applicable law, in which event the Indemnitee shall not be required to so reimburse the Company until a final judicial determination is made with respect thereto as to which all rights of appeal therefrom have been exhausted or lapsed) and shall not be obligated to indemnify or advance any additional amounts to the Indemnitee (unless there has been a determination by a court of competent jurisdiction that the Indemnitee would be permitted to be so indemnified under this Agreement).

4.2. Advances of expenses given to cover litigation expenses in accordance with Section 2.3 above will be repaid by Indemnatee to the Company if such investigation or proceeding has ended in a financial liability imposed in lieu of a criminal proceeding for a crime which requires a finding of criminal intent or if Indemnatee is found guilty of a crime that requires proof of criminal intent, within thirty (30) days of the court's final decision as to which all rights of appeal therefrom have been exhausted or lapsed. Other advances will be repaid by Indemnatee to the Company within thirty (30) days from a final determination by a court as to which all rights of appeal therefrom have been exhausted or lapsed that Indemnatee is not entitled to such indemnification.

4.3. The Company undertakes that in the event of a Change in Control, the Company's obligations under this Agreement shall continue to be in effect following such Change in Control, and the Company shall take all necessary actions to ensure that the party acquiring control of the Company shall independently undertake to continue in effect this Agreement, to maintain the provisions of the Articles of Association allowing indemnification and to indemnify the Indemnatee in the event that the Company shall not have sufficient funds or otherwise shall not be able to fulfill its obligations hereunder.

5. **Subrogation.** In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnatee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

6. **Reimbursement.** The Company shall not be liable under this Agreement to make any payment in connection with any claim made against the Indemnatee to the extent the Indemnatee has otherwise actually received payment (under any insurance policy of the Company or otherwise) of the amounts otherwise indemnifiable hereunder, other than for indemnifiable amounts which are in excess of the amounts actually paid to the Indemnatee pursuant to any such insurance policy or otherwise. Any amounts paid to the Indemnatee under such insurance policy or otherwise after the Company has indemnified the Indemnatee for such liability or Expense shall be repaid to the Company promptly upon receipt by the Indemnatee.

7. **Effectiveness.** This agreement shall be in full force and effect as of the date hereof.

8. **Notification and Defense of Claim.** Promptly after receipt by the Indemnatee of (i) any summons, citation, subpoena, complaint, indictment, other document or information relating to any proceeding or matter which may be subject to indemnification hereunder or (ii) notice of the commencement of any investigation, action, suit or proceeding, the Indemnatee will, if a claim in respect thereof is to be made against the Company under this Agreement, notify the Company of the commencement hereof; provided that failure to notify the Company as aforesaid will not relieve the Company of its indemnification obligations pursuant hereto except to the extent that it has been actually and materially prejudiced as a result of such failure and provided further that the omission so to notify the Company will not relieve it from any liability which it may have to the Indemnatee otherwise than under this Agreement. With respect to any such investigation, action, suit or proceeding as to which the Indemnatee notifies the Company of the commencement thereof and without derogating from Section 2.1:

8.1. The Company will be entitled to participate therein at its own expense; and

8.2. Except as otherwise provided below, to the extent that it may wish, the Company will be entitled to assume the defense thereof, with counsel selected by the Company, which counsel is reasonably reputable with experience in the relevant field and reasonably satisfactory to the Indemnatee. After notice from the Company to the Indemnatee of its election

to assume the defense thereof, the Company will not be liable to the Indemnitee under this Agreement for any legal or other expenses subsequently incurred by the Indemnitee in connection with the defense thereof other than reasonable costs of investigation or as otherwise provided below. The Indemnitee shall have the right to employ his or her own counsel in such action, suit or proceeding, but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense thereof shall be at the expense of the Indemnitee, unless: (i) the employment of counsel by the Indemnitee has been authorized in writing by the Company; (ii) the Indemnitee shall have, based on a legal advice of counsel, concluded that there may be a conflict of interest between the Company and the Indemnitee in the conduct of the defense of such action; or (iii) the Company shall not in fact have employed counsel to assume the defense of such action, within a reasonable time, in each of which cases the fees and expenses of counsel shall be at the expense of the Company. The Company shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of the Company or as to which the Indemnitee shall have reached the conclusion specified in (ii) above.

8.3. The Company shall not be liable to indemnify the Indemnitee under this Agreement for any amounts paid in settlement of any action or claim effected without its prior written consent. The Company shall have the right to conduct the defense as it sees fit in its sole discretion (provided that the Company shall conduct the defense in good faith and in a diligent manner), including the right to settle or compromise any claim or to consent to the entry of any judgment against Indemnitee, provided that the Company shall not settle any action or claim in any manner that would impose any penalty or limitation on the Indemnitee without the Indemnitee's prior written consent. However, in the case of civil proceedings, the Indemnitee's consent shall not be required if (i) the settlement includes a complete release of Indemnitee, (ii) does not contain any admission of wrong-doing by Indemnitee, and (iii) includes monetary sanctions (without any admission of wrong-doing by Indemnitee) only up to the amount indemnifiable under this Agreement. In the case of criminal proceedings, the Company and/or its legal counsel will not have the right to plead guilty or agree to a plea-bargain in the Indemnitee's name without the Indemnitee's prior written consent. Neither the Company nor the Indemnitee will unreasonably withhold its consent to any proposed settlement.

8.4. Without derogating of any of the Indemnitee's rights and obligations, the Indemnitee shall use its reasonable efforts to advise the Company concerning all events which the Indemnitee is aware of and that the Indemnitee reasonably suspects would give rise to the initiation of legal proceedings against the Indemnitee in his capacity as an Officer of the Company.

8.5. Indemnitee shall fully cooperate with the Company and shall give the Company all information and access to documents, files and to his advisors and representatives as shall be within Indemnitee's power, in every reasonable way as may be required by the Company with respect to any claim which is the subject matter of this Agreement and in the defense of other claims asserted against the Company (other than claims asserted by Indemnitee), provided that the Company shall cover all reasonable expenses, costs and fees incidental thereto such that the Indemnitee will not be required to pay or bear such expenses, costs and fees. In addition, at the request of the Company, the Indemnitee shall execute all documents reasonably required to enable the Company or its attorney as aforesaid to conduct the defense in the Indemnitee's name, and to represent the Indemnitee in all matters connected therewith, in accordance with the aforesaid, provided that the Company shall cover all costs incidental thereto such that Indemnitee will not be required to pay the same or to finance the same himself.

9. **Exculpation.** The Company hereby exempts the Indemnitee, to the fullest extent permitted by law, from any liability for damages caused as a result of the Indemnitee's breach of the duty of care to the Company while acting in good faith and having reasonable cause to assume that such act or omission would not prejudice the interests of the Company, provided that the Indemnitee shall not be exempt with respect to any action or omission as to which, under applicable law, the Company is not entitled to exculpate the Indemnitee.
10. **Non-Exclusivity.** The rights of the Indemnitee hereunder shall not be deemed exclusive of any other rights the Indemnitee may have under the Company's Articles of Association, as amended from time to time, or applicable law or otherwise, and to the extent that during the indemnification period the rights of the then existing Officers are more favorable to such Officers than the rights provided thereunder or under this Agreement to the Indemnitee, the Indemnitee shall be entitled to the full benefits of such more favorable rights.
11. **Partial Indemnification.** If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the financial liability and/or Expenses actually incurred by Indemnitee in connection with any proceedings, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such financial liability and/or Expenses to which Indemnitee is entitled under any provision of this Agreement. Subject to the provisions of Section 6 above, any amount received by Indemnitee (under any insurance policy or otherwise) shall not reduce the amount indemnifiable under this Agreement and shall not derogate from the Company's obligation to indemnify the Indemnitee in accordance with the provisions of this Agreement up to the amount indemnifiable, as set forth in Section 2.2.
12. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company, spouses, heirs and personal and legal representatives. This Agreement shall continue in effect regardless of whether the Indemnitee continues to serve as an Officer of the Company or of any other enterprise at the Company's request, provided that the claim for indemnification relates to an Indemnifiable Event. This Agreement is being executed by the Company pursuant to the resolutions adopted by the Board of Directors on **January [] , 2018**, and by the shareholders of the Company on [], **2018**. The Board of Directors has determined, based on the current activity of the Company, that the amount stated in Section 2.2 is reasonable and that the events qualifying as Indemnifiable Event are reasonably anticipated.
13. **No Modification; No Waiver.** No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver. Any waiver shall be in writing.
14. **Notice.** All notices and other communications pursuant to this Agreement shall be in writing and shall be deemed provided if delivered personally, sent by email, reputable overnight courier or mailed by registered or certified mail (return receipt requested), postage prepaid, to the parties at the addresses shown in the preamble to this Agreement, or to such other address as the party to whom notice is to be given may have furnished to the other party hereto in writing in accordance herewith. Any such notice or communication shall be deemed to have been delivered and received (i) in the case of personal delivery, on the date of such delivery, (ii) in the case of email, one business day after the date of transmission if confirmation of receipt is received, (iii) in the case of a reputable overnight courier, three business days after

deposit with such reputable overnight courier service, and (iv) in the case of mailing, on the seventh business day following that on which the mail containing such communication is posted.

15. **Severability.** The provisions of this Agreement shall be severable in the event that any provision hereof (including any provision within a single section, paragraph or sentence) is held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law.

16. **Governing Law.** This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Israel, without giving effect to the conflicts of law provisions of those laws. The Company and Indemnitee each hereby irrevocably consent to the sole and exclusive jurisdiction and venue of the courts of Tel Aviv - Yaffo, Israel for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement.

17. **Entire Agreement; Termination.** This Agreement represents the entire agreement between the parties and supersedes any other agreements, contracts or understandings between the parties, whether written or oral, with respect to the subject matter of this Agreement, including, without limitation any previous Indemnification Agreement (if any) entered into by the Company and the Indemnitee. No supplement, modification, amendment, termination or cancellation of this Agreement shall be effective unless in writing and signed by both parties hereto.

18. **Assignment; No Third Party Rights.** Neither party hereto may assign any of its rights or obligations hereunder except with the express prior written consent of the other party. Nothing herein shall be deemed to create or imply an obligation for the benefit of a third party. Without limitation of the foregoing, nothing herein shall be deemed to create any right of any insurer that provides directors' and officers' liability insurance, to claim, on behalf of Indemnitee, any rights hereunder.

19. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and enforceable against the parties actually executing such counterpart, and all of which together shall constitute one and the same instrument; it being understood that parties need not sign the same counterpart. The exchange of an executed Agreement (in counterparts or otherwise) by facsimile or by electronic delivery in PDF (Portable Document Format) shall have the same force and effect as the delivery of original signatures and shall be sufficient to bind the parties to the terms and conditions of this Agreement, as an original.

20. **Headings; Gender.** The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties, each acting under due and proper authority, have executed this Indemnification Agreement as of the date first mentioned above, in one or more counterparts.

POLYPID LTD.

By: _____

Title: _____

INDEMNITEE

By: _____

Title: _____

Schedule A

1. Negotiations, execution, delivery and performance of agreements on behalf of the Company, whether written or oral.
2. Anti-competitive acts and acts of commercial wrongdoing.
3. Acts in regard to invasion of privacy including with respect to databases and acts in regard of slander.
4. Acts in regard to copyrights, patents, designs and any other intellectual property rights, and acts in regard to defects in the Company's products or services, including but not limited to any claim or demand made for actual or alleged infringement, misappropriation or misuse of any third party's intellectual property rights by the Company including without limitation confidential information, patents, copyrights, design rights, service marks, trade secrets, copyrights, and misappropriation of ideas by the Company.
5. Approval of corporate actions including the approval of the acts of the Company's management, their guidance and their supervision.
6. Claims of failure to exercise business judgment and a reasonable level of proficiency, expertise and care in regard to the Company's business.
7. Claims relating to the offering of securities and claims relating to violations of securities laws of any jurisdiction, including, without limitation, fraudulent disclosure claims, failure to comply with the Securities Exchange Commission and/or the Israeli Securities Authority rules and other claims relating to relationships with investors and the investment community.
8. Violations of securities laws of any jurisdiction, including without limitation, fraudulent disclosure claims and other claims relating to relationships with investors and the investment community.
9. Violations of laws requiring the Company to obtain regulatory and governmental licenses, permits and authorizations in any jurisdiction.
10. Claims in connection with publishing or providing any information, including any filings with governmental authorities, on behalf of the Company in the circumstances required under applicable laws.
11. Actions regarding investments by the Company and/or the acquisition of assets, including the acquisition of companies and/or businesses through merger or otherwise or the investment of funds in tradeable securities and/or in any other manner.
12. Claims in connection with employment relationships with Company's employees.
13. Claims in connection with Company's liquidation.
14. Any claim or demand made directly or indirectly in connection with complete or partial failure, by the Company or its directors, officers and employees, to pay, report, keep applicable records or otherwise, any state, municipal or foreign taxes or other mandatory payments of any nature whatsoever, including, without limitation, income, sales, use, transfer, excise, value added, registration, severance, stamp, occupation, customs, duties, real property, personal property, capital stock, social security, unemployment, disability, payroll or employee withholding or other withholding, including any interest, penalty or addition thereto, whether disputed or not.
15. Actions taken in connection with the approval and execution of financial reports and business reports and the representations made in connection therewith.

16. Occurrences resulting from the Company's becoming, or its status as, a public company, and/or from the fact that the Company's securities were offered to the public and/or are traded on any stock exchange.
17. The sale, purchase and holding of negotiable securities or other investments for or in the name of the Company.
18. Actions in connection with the sale of the operations and/or business, or part thereof, of the Company.
19. Without derogating from the generality of the above, actions in connection with the purchase or sale of companies, legal entities or assets, and the division or consolidation thereof.
20. Actions concerning the approval of transactions of the Company, with officers and/or directors and/or holders of controlling interests in the Company, or any other transaction with a related party.
21. Actions in connection with the testing of products developed by the Company, or in connection with the distribution, sale, license or use of such products.
22. Actions taken pursuant to or in accordance with the policies and procedures of the Company, whether such policies and procedures are published or not.
23. Any claim or demand made by any lenders or other creditors or for moneys borrowed by, or other indebtedness of, the Company.
24. Any claim or demand made by any third party suffering any personal injury and/or bodily injury or damage to business or personal property through any act or omission attributed to the Company, or its employees, agents or other persons acting or allegedly acting on their behalf.

For the purpose of this Schedule A, "Company" shall include all subsidiaries and affiliates of Company.

Compensation Policy

Polypid

Compensation Policy for Executive Officers and Directors

Adopted June 18, 2020

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1. Background

Amendment No. 20 to the Israeli Companies Law (the "Companies Law") was enacted on December 12, 2012. This amendment mandates the adoption of a compensation policy for Executive Officers and Directors in publicly-traded companies, and defines a special procedure for authorizing employment terms for office holders.

The purpose of the Compensation Policy is to describe Polypid's overall compensation strategy for Executive Officers and Directors and to provide guidelines for setting compensation of its Executive Officers and Directors.

The Compensation Policy is a multi-year policy which initially shall be in effect for a period of five years from the date that the Company becomes a public company, and thereafter will need to be approved by the Company's shareholders every three years.⁽¹⁾

The Compensation Committee and the Board of Directors shall review the Compensation Policy from time to time, as required by the Companies Law. The Compensation Policy shall be brought for reconsideration as required by the Companies Law.

For purposes of this Policy, "Officers" shall mean "office holders" as such term is defined in the Companies Law, excluding, unless otherwise expressly indicated herein, Polypid directors that are not otherwise considered to be office holders under the Companies Law.

This Policy is not intended to affect current agreements nor affect obligating customs (if applicable) between the Company and its Executive Officers or Directors as such may exist prior to the approval of this Compensation Policy.

Nothing in this Compensation Policy shall obligate the Company to grant any particular type or amount of compensation to any Officer, unless expressly stated otherwise, nor shall it derogate from approval procedures mandated by the Companies Law.

Any amendment to this Compensation Policy shall require the approvals as set forth in the Companies Law.

(1) The Compensation Policy shall not apply to any compensation approved prior to the date that the Company becomes a public company and paid or received at the Company's initial public offering or thereafter.

2. Compensation Objectives

Strong and effective leadership is fundamental to Polypid's continued growth and success. This requires the ability to attract, retain, reward and motivate highly-skilled officers in international, competitive labor markets.

The Compensation Policy is intended to align between the need to incentivize officers to succeed in achieving their assigned goals and the need to assure that the compensation structure meets Polypid's interests and its overall strategic and financial objectives.

In support of this goal, the compensation elements granted to PolyPid's Officers are designed to meet the following objectives:

- Improve business results and strategy implementation, and support the Company's work-plans, from a long-term perspective.
- Create a clear correlation between Officers' compensation, overall Company performance and the individual performance.
- Align Officers' interests with those of the Company and its stakeholders (customers, employees, partners, environment, shareholders etc.) and incentivize Officers to create long-term economic value for the Company.
- Consider the ratio between the Officer's employment terms and the salary of other Company employees and contractors, and in particular the ratio between the average salary and the median salary of such employees and the effect of differences between such on work relations in the Company (for purposes of this section "contractors" and "salary"- as defined in the Companies Law).
- Create fair and reasonable incentives, considering the Company's size, characteristics and type of activity.
- Create appropriate incentives taking into account; *inter alia*, the Company's risk management policy.
- Create the right balance (a) between fixed and variable compensation components; and (b) between short-term and long-term results, so as to ensure sustained business performance over time.

3. Compensation Policy

3.1. Officers' Compensation Package Components

Officers' compensation packages will generally (but is not limited to) be comprised of the following elements:

3.1.1. Fixed Compensation

- a. **Base Salary** — a fixed monetary compensation paid on monthly basis.
- b. **Benefits and Perquisites** — programs designed to supplement cash compensation, based on market practice for comparable positions.

3.1.2. Variable Compensation

- a. **Cash Bonus (Short Term Incentive)** — variable monetary bonus paid annually, designed to reward Officers based on the Company's and/or individually defined results.
- b. **Equity based Compensation (Long Term Incentive)** — variable equity based compensation designed to retain Officers, align Officers' and shareholders' interests and incentivize achievement of long term and goals.
- c. **Termination Payments** - retirement and termination of service arrangements.

The "mix" of the elements that will be provided to each Officer will be structured in order to support the Company's philosophy of compensating Officers for Company and individual performance and aligning their interests with stakeholders' interests, while recognizing that the mix may vary from period to period and from Officer to Officer.

3.2. Ratio between Fixed Compensation and Variable Compensation

Notwithstanding the foregoing, the maximum value of the variable compensation components (excluding the termination payments, Special Bonus and Lump sum sign up bonus) shall be up to 450% of each Officer's total fixed compensation as specified in section 3.1.1., on an annual basis.

3.3. Base Salary

Base salary is a fixed compensation element which provides compensation to an Officer for performance of his or her standard duties and responsibilities and reflects the Officer's role, skills, qualifications, experience and market value (the "**Base Salary**").

The Base Salary for newly hired Officers will be set taking the following considerations into account:

- Role and business responsibilities.
- Professional experience, education, expertise and qualifications.

- Previous compensation paid to the Officer.
- Internal comparison: (a) Base Salary and the total compensation package of comparable Polypid' Officers; (b) The ratio between the Officer's compensation package and the salaries of the Company's other employees and specifically the median and average salaries and the effect of such ratio on work relations in the Company.

When deciding on increasing an Officer's Base Salary, the following considerations, in addition to the abovementioned, shall be applied: Changes to the Officer's scope of responsibilities and business challenges, the need to retain the Officer, inflation since the last Base Salary update and updated market rate.

Adjustments to Base Salary may be periodically reviewed, considered and approved in accordance with the law.

The following table indicates the maximum of monthly salaries for each position:

Position	Maximum Monthly Base Salary (NIS)
Chief Executive Officer	150,000
Other Executives (Israel based)	85,000
Other Executives (U.S. based)	US\$ 42,000

In the event that the services of the Officer are provided via a personal management company and not by the Officer directly as an employee of Polypid, the fees paid to such personal management company (or unincorporated legal person) shall reflect, to the extent determined by Polypid in the applicable service agreement, the Base Salary and the benefits and perquisites (plus applicable taxes), in accordance with the guidelines of the Compensation Policy.

(2) The survey is based on sample of companies in similar businesses and fields (*e.g.*, high-tech and biotech), of similar size (*e.g.*, in terms of market value, total balance, shareholder equity and number of employees) and stage of development, as well as with those of companies in relevant locations and/or which compete with the Company for similar talents

3.4. Benefits and perquisites

The following benefits and perquisites may be granted to the Officers in order, among other things, to comply with legal requirements:

- Pension and savings — subject to applicable law, Officers can choose between any combinations of executive insurance and a pension fund.
- Disability insurance — the Company may purchase disability insurance, as allowed by applicable law.
- Providence fund — Officers are entitled to a providence fund provision at the expense of the Company at a rate of 7.5% of the monthly salary or the maximum amount allowed under applicable law.
- Convalescence pay - Officers are entitled to convalescence pay according to applicable law.
- Vacation — Officers are entitled to annual vacation days pursuant to their employment agreement, up to a cap of 28 days per annum. The vacation days can be accumulated and carried over subject to applicable law.
- Sick Days — Officers will be entitled to paid sick days (his or his immediate family members) in accordance with law. However, the Company may cover sick days from the first day up to his overall annual sick day balance regardless whether the sick day is for himself or his immediate family members.
- Relocation package - in the event of relocation of an Officer to another geography, the benefits provided will include customary benefits associated with such relocation (such as reimbursement of travel for him and his family, housing and shipping allowances, healthcare and children's education) all as shall be determined in accordance with Polypid's policies and procedures or per customary market practice.

Polypid may offer additional benefits and perquisites to the Officers, which will be comparable to customary market practices, such as, but not limited to: company car benefits (including coverage or related tax expenses); company cellular phone (including coverage or related tax expenses); complementary health insurance; meals; etc.; provided however, that such additional benefits and perquisites shall be determined in accordance with Polypid's policies and procedures.

Non-Israeli Officers may receive similar, comparable or customary benefits and perquisites as applicable in the jurisdiction in which they are employed.

The compensation derived from the benefits and perquisites set forth in this Section 3.4 shall not be deemed part of the Maximum Monthly Base Salary and shall be added thereto.

3.5. Cash Bonus

Polypid's short term incentive scheme will be based on a variable monetary bonus paid annually, designed to reward Officers based on the Company and/or his/her individually defined results (the "**Bonus**").

During the first calendar quarter of each calendar year, the Compensation Committee and the Board will determine the following for each Officer as well as the formula for calculating the bonus payment at the end of the year:

Maximum Bonus (cap): The maximum bonus is the maximum amount an Officer will be entitled to receive upon overachievement. The maximum bonus of each Officer shall not exceed the amount of 9 monthly base salaries, or with respect to the Chief Executive Officer, 12 monthly base salaries.

Objectives: The Company Objectives and Individual Objectives will be determined based on pre-defined measurable and quantified considerations.

The Bonus may include (but is not limited to) any one or more of the following criteria:

- Financials objectives such as: Revenue, EBITDA, Cash balance, Net profit or outperforming budget objectives
- Business development objectives such as: new corporate partnerships, project and product acquisitions, licensing agreements, achievement of milestones with partners
/ licensees, receipt of funds from partners / licensees.
- Funding objectives such as: private fund raising, public fund raising, receipt of research / development grants, achieving of certain target valuations.
- Regulatory objectives such as: receipt of clinical study approvals, receipt of product marketing approvals, approval of reimbursement schemes, successful patient recruitment to studies etc.
- Marketing objectives such as: set up of a sales force, achieving certain sales targets.
- Intellectual property objectives such as: submission / grant of new patents.
- R&D objectives such as: attainment of certain prototypes, scientific breakthroughs, succeeding in technology evaluations with partners etc.

- Operational objectives such as: attainment of operational excellence criteria in purchasing, manufacturing, quality, yields, on-time delivery, ramp-ups and ramp- downs etc.

Both Company Objectives and Individual Objectives may combine quantitative and qualitative goals, provided that, there is a clear and measurable index for each goal.

The Board may set targets for a period of more than one year, in which case either: (a) the Officer will be entitled to the bonus (per each year included in such multi-year period) only upon achieving such targets at the end of such period; or (b) the Officer shall be entitled to a relative portion/milestone of such bonus, according to the estimated progress to date, in each case, as determined in advance.

Discretionary Component: The bonus may include a discretionary component of up to 20% of the Officer's annual cash target Bonus, based on the evaluation of such Officer's supervisors.

Thresholds: Subject to the last paragraph below, the Compensation Committee and the Board may, with respect to any period or Officer, determine one or more thresholds for the payment of the annual cash bonus or any components thereof, in such manner that if the threshold is not achieved, the annual cash bonus or the particular component thereof, with respect to which the threshold was not achieved, will not be paid.

The Company may determine that with respect to any specific year, all or any particular Officer or Officers shall not be entitled to a Bonus.

The Board may determine to pay the Bonus by equity.

Compensation Recovery: The Company shall insert a claw back provision, allowing the recovery of money paid based on incorrect financial statements, which was later corrected in the Company's financial reports (restatement). A claw back limit will be applied such that the said claw-back provisions shall apply only in respect to restatements, up to three years from the applicable Bonus payment, and will not exceed the net amount received by the Officers. Notwithstanding the aforesaid, the compensation recovery will not be triggered in the event of a financial restatement required due to changes in the applicable financial reporting standards. The Officer shall repay to the Company the balance between the original Bonus and the Bonus due to the restated financial statements, pursuant to terms that shall be determined by the Board of Directors.

Reduction of Bonus: The Board of Directors according to its professional experience and the circumstances may reduce the Bonus, at its sole discretion prior to the Bonus payment.

Special Bonus: In addition to the Bonus, the Compensation Committee and the Board of Directors may elect upon the recommendation of the Chief Executive Officer (or the Chairman in the case of a bonus payable to the Chief Executive Officer) to pay certain Officers a special bonus in recognition for their special contribution to key transactions and events in the company's lifecycle, such as M&A, public financing, achievement of major corporate goal in R&D, sales, strategic alliances, operations etc.

Such special bonus shall not exceed the amount of three (3) monthly salaries of each applicable Officer.

Annual Bonus for Vice Presidents (VPs)

Notwithstanding the aforesaid in this Section 3.4, if the Company has so determined in the framework of an annual bonus plan, the Company may grant its VPs an annual bonus that is not based, in whole or in part, upon measurable criteria. Such annual bonus (or part thereof) shall be determined according to this Section 3.5, except that the performance level of each such VP may not be determined pursuant to qualitative measurements but rather on non-measurable evaluation of such VPs performance.

3.6. A lump sum sign up bonus

All Officers, excluding Non-Employee Directors, may be incentivized through lump sum sign up cash bonuses, designed to attract skilled and experienced executives in a competitive industry environment. The lump sum sign-up bonus shall not exceed NIS 250,000 for Israeli based officers and 100,000\$ for non-Israel based officers and shall not be calculated as part of the Base salary and/or Cash Bonus compensation.

3.7. Equity based compensation

Polypid's long term incentive is variable equity based compensation, designed to retain Officers, align Officers and shareholders' interests and incentivize achievement of long term goals.

The Company shall be entitled to grant to Officers (including Employee and Non-Employee Directors) stock options, Restricted Stock, Restricted Stock Units or any other equity based compensation.

General guidelines for the grant of Options:

- The Options shall be granted from time to time and be individually determined and

awarded according to the performance, skills, qualifications, experience, role and the personal responsibilities of the Officer.

- **Vesting schedule** - the Options will vest and become exercisable annually over a period of at least 2years.

- **Exercise price** — the exercise price shall be the closing price of the shares on the day before the grant date or the average closing price of the shares in the 30 trading days prior to the grant date, as will be determined by the Compensation Committee and the Board of Directors.
- **Expiry date** - this period shall not exceed 10 years from the date of the issuance.
- **Cap on the annual value of the Options** - the fair market value (according to acceptable valuation practices at the time of grant) of options so granted, as at grant date, shall not exceed the amount of 350% of the total annual fixed compensation as specified in section 3.1.1., for each Officer per year of vesting, on a linear basis. For the purpose of this section, “grant date” shall mean the date in which the company’s Board approved the grant.
- **Acceleration and other terms** — The Company shall have the discretion to provide, generally or for specific Officers, for the accelerated vesting of equity-based awards. The Company shall provide acceleration terms upon a change of control of the Company or upon termination of service or employment of the Officer, and may extend the exercise period of equity-based awards beyond those generally applicable pursuant to the relevant plan, provided such extension does not extend beyond ten years from the date of grant.

Any others terms of the equity based compensation will be determined by the Compensation Committee and the Board of Directors, in accordance with the Company’s equity compensation policies and programs in place from time to time, subject to any applicable law.

3.8. Retirement and termination of service arrangements

Advance notice

Pursuant to the Officer’s employment agreement, he or she shall be entitled to an advance notice prior to termination for a period of up to six (6) months (the “Notice Period”).

During the Notice Period, the Officer is required to keep performing his or her duties pursuant to his or her agreement with the Company, unless the compensation committee has released the Officer from such obligation.

During the Notice Period, Officers will be entitled to full payment of compensation.

Adjustment period

Officers may receive an additional transition period during which the Officer will be entitled to up to an additional eight (8) months of continued Base Salary, benefits and perquisites beyond the Advance Notice period described above.

When determining such payments, the Compensation Committee and the Board will generally consider, *inter alia*, the term of service or employment, Company performance during such term, the contribution of the Officer to the achievement of the Company's goals, the circumstances of termination and the Officer's compensation during the term of service or employment.

Officers may receive an adjustment period only if they work in the Company for at least two (2) years.

3.9. Intra-Company Compensation Ratio

In the process of composing this policy, the Committee and the Board examined, among other things, the ratio between overall compensation of Officers and the average and median compensation of other employees in Israel, as well as the possible ramifications of such ratio on the work environment in Polypid, in order to ensure that levels of Officer compensation will not have a negative impact on the positive work relations in Polypid.

The possible ramifications of the ratio in the work environment will continue to be examined from time to time in order to ensure that levels of Officer's compensation, as compared to that for the other employees, will not have a negative impact on work relations in Polypid.

3.10. Non-Employee Directors' Compensation

(a) The following table indicates the directors maximum annual cash compensation:

Position	Board		Audit Committee		Compensation, Nominating and Corporate Governance Committee	
	US\$		US\$		US\$	
Chairman	US\$	60,000	US\$	15,000	US\$	10,000
Director/Member	US\$	40,000	US\$	7,500	US\$	5,000

(b) Each newly appointed director will be granted an option to purchase up to 18,750 Ordinary Shares as of June 2020 (equivalent to 150,000 Ordinary shares as of 2018) (“Ordinary Shares”) at an exercise price per share equal to the closing price. The shares subject to each such stock option will vest in equal quarterly installments for 12 quarters, subject to the director’s continuous service through such vesting dates. A grant in excess of the 18,750 as of June 2020 (equivalent to 150,000 Ordinary shares as of 2018) initial grant may be applied as an inducement for prospective or existing directors, including the Chairman of the Company, in cases where the Board deems it appropriate in order to advance the interest of the Company.

(c) On the date of each annual shareholders meeting of the Company held after the Company becomes a public company, each director who continues to serve as a non- employee member of the Board at such shareholders meeting will be automatically, and without further action by the Board or Compensation Committee, granted an option to purchase 9,375 Ordinary Shares as of 2020 (equivalent to 75,000 Ordinary shares as of 2018) at an exercise price equal to the closing price of the Ordinary Shares on the date of grant. The shares subject to each such stock option will vest in equal quarterly installments for four quarters, subject to the director’s continuous service through such vesting dates. The Company shall be entitled to engage with a Director as a service provider. In such case, the director may be entitled to an annual compensation of up to \$250,000.

3.11. Insurance, Indemnification and Release

The Company will release all current and future directors and executive Officers from liability and provide them with indemnification to the fullest extent permitted by law and its Articles of Association.

In addition, until otherwise determined, the Company will purchase and periodically renew, at the Company’s expense, insurance coverage in respect of the liability of its current and

future directors and executive Officers to the maximum extent permitted by law and its Articles of Association, with an annual coverage of up to \$50 million and an annual premium of up to \$3 million, and will include coverage with respect to any public offering of shares or other securities of the Company.

In addition, such insurance coverage may include “run-off” provisions covering the directors and executive Officers liability following termination of service or employment.

Office holders shall be covered by directors’ and Officers’ liability insurance which the Company shall acquire, from time to time, subject to the approval of the Company’s board of directors and shareholders, to the extent required by law.

The Company awards, and shall continue to award, indemnification undertakings to directors and Officers, subject to the approvals required in accordance with the provisions of the Companies Law.

The Chief Executive Officer, as shall be in office from time to time, and/or any other person designated by him or her, shall have the authority to obtain, renew and keep in force and affect such insurance within the above parameters.

3.12. Immaterial change in terms of employment

An Immaterial Change in the terms of employment of an Officer, other than the Chief Executive Officer, may be approved by the Chief Executive Officer, and an Immaterial Change in the terms of employment of the Chief Executive Officer, as may be approved by the Board and Compensation Committee, provided that the amended terms of employment are in accordance with this Compensation Policy. An “Immaterial Change in the Terms of Employment” means a change in the terms of employment of an Officer within annual total cost to the Company not exceeding an amount equal 10% of the annual compensation of such Officer.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated February 24, 2020 (except Notes 1(d), 2(n), 7, 9, 10, 12, 13 and 15, to which the date is June 21, 2020) included in Amendment No. 2 to the Registration Statement on Form F-1 and related Prospectus of Polypid Ltd., dated June 22, 2020.

/s/ KOST FORER GABBAY & KASIERER

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global
Tel-Aviv, Israel
June 22, 2020

QuickLinks

[Exhibit 23.1](#)