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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number: 001-37714

Sensus Healthcare, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**27-1647271**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
851 Broken Sound Pkwy., NW #215, Boca Raton, Florida	**33487**
(Address of principal executive office)	(Zip Code)

(561) 922-5808
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	SRTS	The NASDAQ Stock Market, LLC (Nasdaq Capital Market)

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒ Emerging growth company ☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

The aggregate market value of the common equity held by non-affiliates of the registrant on June 30, 2021, the last business day of the registrant's most recently completed second quarter, was $51,364,009 based on the closing price of $3.85 per share of common stock on the Nasdaq Capital Market on that date. For this purpose, all outstanding shares of common stock have been considered held by non-affiliates, other than the shares beneficially owned by directors, officers and certain 5% stockholders of the registrant; certain of such persons disclaim that they are affiliates of the registrant.

As of March 9, 2022 there were 16,657,048 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our Proxy Statement for the Annual Meeting of Stockholders to be held on June 3, 2022, are incorporated by reference in Part III.

SENSUS HEALTHCARE, INC.
ANNUAL REPORT ON FORM 10-K
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INTRODUCTORY NOTE
Forward-Looking Statements

This report includes statements that are, or may be deemed, "forward-looking statements." In some cases, these statements can be identified by the use of forward-looking terminology such as "believes," "estimates," "anticipates," "expects," "plans," "intends," "may," "could," "might," "will," "should," "approximately," "potential" or negative or other variations of those terms or comparable terminology, although not all forward-looking statements contain these words.

Forward-looking statements involve risks and uncertainties because they relate to events, developments, and circumstances relating to Sensus Healthcare, Inc., our industry, and/or general economic or other conditions that may or may not occur in the future or may occur on longer or shorter timelines or to a greater or lesser degree than anticipated. Although we believe that we have a reasonable basis for each forward-looking statement contained in this report, forward-looking statements are not guarantees of future performance, and our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate, may differ materially from the forward looking statements contained in this press release, as a result of the following factors, among others: the continuation and severity of the COVID-19 pandemic, including its impact on sales and marketing; our ability to achieve profitability; our ability to obtain and maintain the intellectual property needed to adequately protect our products, and our ability to avoid infringing or otherwise violating the intellectual property rights of third parties; the level and availability of government and/or third party payor reimbursement for clinical procedures using our products, and the willingness of healthcare providers to purchase our products if the level of reimbursement declines; the regulatory requirements applicable to us and our competitors; our ability to efficiently manage our manufacturing processes and costs; the risks arising from our international operations; legislation, regulation, or other governmental action, that affects our products, taxes, international trade regulation, or other aspects of our business; concentration of our customers in the U.S. and China, including the concentration of sales to one particular customer in the U.S.; the performance of the Company's information technology systems and its ability to maintain data security; and other risks described from time to time in our filings with the Securities and Exchange Commission.

In addition, even if future events, developments, and circumstances are consistent with the forward-looking statements contained in this report, they may not be predictive of results or developments in future periods. Any forward-looking statements that we make in this report speak only as of the date of such statement, and we undertake no obligation to update such statements to reflect events or circumstances after the date of this report, except as may be required by applicable law.

PART I.

Item 1. BUSINESS

Overview

Sensus Healthcare, Inc. (together, with its subsidiary, unless the context otherwise indicates, "Sensus" or the "Company") is a medical device company committed to providing highly effective, non-invasive, and cost-effective treatments for both oncological and non-oncological skin conditions. The Company uses a proprietary low-energy X-ray technology known as superficial radiation therapy ("SRT"), which is based on over a decade of dedicated research and development, and has successfully incorporated SRT into a portfolio of treatment devices: the SRT-100™, SRT-100+™ and SRT-100 Vision™. To date, SRT technology has been used to effectively and safely treat oncological and non-oncological skin conditions in hundreds of thousands of patients around the world.

On February 25, 2022, the Company sold the assets comprising its Sculptura™ product for $15 million in cash. Additional information regarding this transaction can be found in the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 3, 2022.

Our business was organized in 2010 and the Company, incorporated in Delaware, completed its initial public offering in 2016. The Company operates as one segment from its corporate headquarters located in Boca Raton, Florida. For further information see Note 1, *Description of the Business*, in the notes to the consolidated

financial statements in Part II, Item 8.

Our Products and Services

SRT-100

The SRT-100 is a photon x-ray low energy superficial radiotherapy system that provides patients an alternative to surgery for treating non-melanoma skin cancers, including basal cell and squamous cell skin cancers and other skin conditions such as keloids. The SRT-100 is especially effective in treating primary lesions that would otherwise be difficult to treat or require extensive surgery involving sensitive areas of the head and neck regions, such as the fold in the nose, eyelids, lips, corner of the mouth, and the lining of the ear, that would otherwise lead to a less than desirable cosmetic outcome. Superficial radiation therapy treatment procedures do not require the use of anesthetics and eliminate the need for skin grafting. The Company believes that the SRT-100 provides healthcare providers and patients with a safe, virtually painless, and substantially non-scarring treatment option for non-melanoma skin cancer and other skin conditions, such as keloids. It allows dermatologists to retain non-melanoma skin cancer patients, rather than referring them to specialists, while offering radiation oncologists an alternative to costly linear accelerator–based treatments with a process that is less invasive, more time-efficient, and improves practice economics. Revenue is primarily derived from sales of our SRT-100 product line. The SRT-100 provides the following clinical and functional advantages:

- Easy touch automatic set-up procedure, including automatic x-ray tube warm-up procedures;
- Specially designed control console for medical physicists and service technicians, providing integrated safety and back-up timer controls, automatic system conditioning procedures, calibration, x-ray output verification and system parameters, including last treatment status information;
- Advanced patient record management with integrated enterprise workflow management;
- Compact mobile design with a small 30” x 30” footprint and unique scissor x-ray tube arm movements, providing a large range of motion for patient access and treatment; and
- High reliability and MTBF (“mean time between failures”) performance that provides availability for patients and practitioners and lowers the total cost of ownership.

SRT-100 Vision

The SRT-100 Vision provides customers with additional options compared to the SRT-100 base model. These additional options allow for dedicated treatment planning and full treatment progression documentation in a patient’s record. The SRT-100 Vision provides the user with a unique superficial radiation therapy-tailored treatment planning application that integrates an embedded high frequency ultrasound imaging module, volumetric tumor analysis, beam margins planning, and comprehensive dosimetry parameters. This allows the user to precisely and more accurately plan and prescribe the patient-specific treatment course to maximize patient outcomes and workflow efficiency. The SRT-100 Vision also offers a comprehensive control console and workflow management that provides full record and treatment tracing, operator-level access and functional control, audio-visual patient and treated lesion monitoring, and advanced dosimetry setting and tracing.

SRT-100 Plus

The SRT-100+ offers all the same features as the SRT-100, with the addition of:

- An expanded energy range for customized, more precise treatment
- Remote diagnostics, including operation tracking
- New X-ray tube with extended functionality and performance
- Advanced console and enhanced system mobility to optimize clinical practice

Sentinel service program

The Company offers the Sentinel service program, which provides customers comprehensive protection for their systems. The Sentinel service program covers all parts and labor for the period of the contract and one annual preventive maintenance session that includes cooling system maintenance, high-voltage loop maintenance, filters and system cleaning, and system touch-ups, should these be required during the preventative maintenance session.

Sensus also provides turnkey pre-and post-sale services that include the following:

- Providing a pre-install kit for the contractors to prepare the treatment room;
- Room retrofit and shielding;
- System shipping coordination and installation;
- System commissioning by a medical physicist (through a national physics network);
- System registration with the state and daily workflow documentation preparation;
- Clinical applications training with the customer’s superficial radiation therapy staff; and
- Treating the first scheduled patients with our customers (onsite applications training).

Sensus Laser Aesthetic Solutions (SLAS)

In August 2020, the Company acquired two mobile aesthetic laser companies serving Florida: Aesthetic Mobile Laser Services, which serves Southeast and Southwest Florida; and Aesthetic Laser Partners, which serves Central and Northern Florida. These companies, collectively known as “Sensus Laser Aesthetic Solutions”, offer in-office laser rental services, providing an easy way for medical and health care professionals to offer aesthetic laser procedures without the long-term financial commitment, maintenance, and obsolescence concerns associated with equipment ownership. Sensus Laser Aesthetic Solutions delivers a complete

line of aesthetic lasers to dermatologists and clinicians around the state for a variety of treatments, both cosmetic and clinical.

Consumables

The Company sells disposable lead shielding replacements, disposable radiation safety items, such as aprons and eye shields, ultrasound probe film, and disposable applicator tips, which are used to treat various sized lesions and different areas of the body.

Competition

The medical device industry is highly competitive and subject to rapid technological change and is significantly affected by new product introductions and market activities of other participants. Current marketed products, and any future products that the Company commercializes, will compete against healthcare providers who use other methods of treatment for the same disease or condition.

In order to grow its business, Sensus must be able to compete effectively for market acceptance of its products. Key competitive factors include improved outcomes for medical conditions, acceptance by doctors treating non-melanoma skin cancer and keloids, potential greater acceptance by the patient community, potential greater ease of use and reliability, product price and qualification for reimbursement, technical leadership and superiority, effective marketing and distribution, speed to market and quality of client service.

Sales and Marketing

The Company's focus is mainly on two primary markets, private dermatology practices and radiation oncologists in both private and hospital settings. The Company currently employs a multi-tier sales strategy to optimize geographic coverage and focus on its key markets. This multi-tier sales model uses a direct sales force in the U.S., as well as international dealers and distributors. Sensus plans to continue selling and marketing the Company's products to both the dermatology and radiation oncology markets concurrently.

Dermatology Market

Private dermatology practices in the U.S. represent the point of entry for most non-melanoma skin cancer patients. The Company believes its SRT products offer dermatologists a competitive advantage by allowing them to retain patients for the treatment of non-melanoma skin cancer, rather than having to refer them to other professionals. In addition to non-melanoma skin cancers, the Company has had an FDA clearance to treat keloid scars since 2014. The Company's SRT has been used by over 100 U.S. dermatology practices in the treatment of keloids. Since 2017, it is also being used to treat keloids in China.

Radiation Oncology Market

For licensed radiation oncologists in the U.S., the Company believes its SRT products offer a simpler, faster method of treatment with a better overall patient experience. SRT offers oncologists the ability to free up more expensive radiation equipment, such as linear accelerators, for more complex procedures while providing patients with effective, non-invasive treatment options for non-melanoma skin cancer.

Other Markets

Sensus believes that the plastic surgery and laser aesthetic markets present growth opportunities. With FDA clearance to treat keloids through SRT, plastic surgeons are recognizing the opportunity to be able to provide an effective treatment solution for this benign tumor. Additionally, the Company believes that plastic surgeons view the non-melanoma skin cancer market as a growth opportunity that can supplement their existing services.

Global Focus

As of December 31, 2021, the Company had an installed base of 564 units in 18 countries, primarily in the United States. Customers include leading cancer centers, dermatology practices, hospitals and plastic surgery clinics, which further validates the targeted marketing approach led by the Company's direct sales teams and global distribution partners.

Manufacturing and Supply

The Company currently uses third parties located in the U.S. to manufacture products. In 2010, the Company entered into a manufacturing agreement with RbM Services, LLC ("RbM") pursuant to which RbM agreed to manufacture SRT-100 products. Under this agreement, the Company pays a fixed price per unit, subject to annual adjustments due to changes in the cost of materials. The agreement renews for successive one-year periods unless either party notifies the other party in writing, at least 60 days prior to the anniversary date of the agreement, that it will not renew the agreement. The Company or manufacturer may terminate the agreement upon 90 days' prior written notice.

The Company maintains internal policies, procedures and supplier management processes designed to ensure that RbM meets applicable quality standards, including FDA and International Organization for Standardization, or ISO, requirements. To date, Sensus has not experienced any difficulty in locating and obtaining the materials necessary to meet the demand for our products, and believes manufacturing capacity is sufficient to meet global market demand for our products for the foreseeable future.

The Company believes this third-party manufacturing relationship allows us to work with a supplier that has well-developed specific competencies while minimizing our capital investment, controlling costs, and shortening cycle times, all of which has allowed us to compete effectively with our competitors. Sensus also works with other third parties that it believes could be relied upon if there were a need to change suppliers.

The Company has a single preferred supplier for the x-ray tubes and other major components used in its products. The Company believes this supplier has superior products; however, products of alternate suppliers would be adequate for Sensus's products and therefore the Company does not anticipate any material disruptions to the supply of major components if there were a change in suppliers.

Intellectual Property

The Company actively seeks to protect the intellectual property that is important to our business, including seeking and maintaining patents that cover Sensus's products. The Company also relies on trademarks to enhance, build, and maintain the integrity of the Sensus brand.

The Company is in the possession of several issued U.S. and Global patents. The patents relate to technology that is pertinent to the Company.

The following patents were issued between August 2007 and September 2008:

- U.S. Patent No. 7,372,940: Radiation therapy system with risk mitigation (expires September 30, 2025)
- U.S. Patent No. 7,263,170: Radiation therapy system featuring rotatable filter assembly (expires September 30, 2025)

The following patents were issued to us in 2018:

- Russia Patent No. 26333322: Hybrid Ultrasound-Guided Superficial Radiotherapy System and Method
- China Patent No. ZL201380013491.7: Hybrid Ultrasound-Guided Superficial Radiotherapy System and Method

The following patent was issued to Sensus in 2019:

- U.S. Patent No. 10,350,437: Robotic IORT X-Ray Radiation System With Calibration Well (expires August 14, 2038)

The following patents were issued to Sensus in 2020:

- U.S. Patent No. 10,596,392: Dermatology Radiotherapy System with hybrid Imager (expires July 28, 2038)
- U.S. Patent No. 10,607,802: Three-dimensional beam forming X-ray source (expires June 10, 2038)
- U.S. Patent No. 10,646,726: Robotic Intraoperative Radiation Therapy (expires June 19, 2038)
- Japan Patent No. 6754023 Robotic IORT X-Ray Radiation System With Calibration Well (expires January 11, 2033)
- China Patent No. ZL201710929838.2 Hybrid Ultrasound-Guided Superficial Radiotherapy System and Method (expires August 14, 2038)

A total of 22 patent applications were pending at December 31, 2020 and additional patent applications are in process.

The Company also owns seven U.S. trademark registrations (expiring from 2021 through 2031) and had two trademark applications pending as of December 31, 2020.

The Company also relies on trade secrets and other unpatented proprietary rights to develop and maintain a competitive position. The Company seeks to protect unpatented proprietary rights through a variety of methods, including confidentiality agreements with employees, consultants and others who may have access to this proprietary information. The Company requires all employees to execute invention assignment agreements with respect to inventions arising from their employment.

The Company can provide no assurance that any patents or trademarks will be issued or registered as a result of our pending or future applications for such intellectual property. Even if any such patents or trademarks are ultimately issued or registered, they, or any of the Company's other intellectual property, may not provide any meaningful protection or competitive advantage. Intellectual property could be challenged, invalidated, circumvented, infringed or misappropriated. In addition, third parties have claimed, and in the future may claim, that the Company, customers, licensees or other parties indemnified by Sensus are infringing upon their intellectual property rights.

Government Regulation

Sensus's business is subject to extensive federal, state, local, and foreign laws and regulations, including those relating to the protection of the environment, health and safety. Some of the pertinent laws and regulations have not been definitively interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of subjective interpretations. In addition, these laws and regulations and their interpretations are subject to change, and new laws may be enacted. Both federal and state governmental agencies continue to subject the healthcare industry to intense regulatory scrutiny, including heightened civil and criminal enforcement efforts. The Company believes that its business operations and relationships with customers and suppliers are structured to comply with all applicable legal requirements. However, it is possible that governmental entities or other third parties could interpret these laws and regulations differently and assert otherwise. Discussed below are statutes and regulations that are most relevant to the Company's business. For the years ended December 31, 2021 and 2020 we incurred approximately $1.3 million in expenses related to regulatory compliance and quality standards.

FDA Regulation of Medical Devices

The Federal Food, Drug and Cosmetic Act ("FDCA") and FDA regulations establish a comprehensive system for the regulation of medical devices intended for human use. Sensus's medical device products are subject to these regulations, as well as other federal, state, and local laws and regulations. The FDA is also responsible for the overall enforcement of quality, regulatory and statutory requirements governing medical devices.

FDA classifies medical devices into one of three classes — Class I, Class II, or Class III — depending on their level of risk and the types of controls that are necessary to assure device safety and effectiveness. The class assignment determines the type of premarketing submission or application, if any, that will be required before marketing in the U.S. The Company's medical devices are Class II devices under the FDA's classification system. Class II devices are deemed to present a moderate risk and are devices for which general controls alone are not sufficient to provide a reasonable assurance of safety and effectiveness. Medical devices in Class II are subject to both general controls and "special controls" — e.g., special labeling, compliance with industry standards, and post market surveillance. Unless exempted, Class II devices typically require FDA clearance before marketing, through the premarket notification ("510(k)") process, in accordance with 21 CFR, Part 807 requirements.

Unless it is exempt from premarket review requirements, a medical device must receive marketing authorization from the FDA prior to being commercially distributed in the U.S. The most common pathways for obtaining marketing authorization are 510(k) clearance and PMA. With the enactment of the Food and Drug Administration Safety and Innovation Act ("FDASIA"), the availability of a *de novo* pathway was facilitated for certain low- to moderate-risk devices that do not qualify for the 510(k) pathway due to the absence of a predicate device.

510(k) pathway

As of December 31, 2021, all of our products were subject to or exempt from the 510(k) requirement. We have previously received FDA 510(k) clearances for our SRT-100, SRT-100 Vision, and SRT-100+ products. The Company has obtained all of its FDA clearances through the 510(k) pathway; although other pathways are available, the Company believes they are less efficient and effective for the Company.

Ongoing FDA regulation

After a device is entered into commerce in the U.S., regardless of its classification or premarket pathway, numerous additional FDA requirements generally apply. These include:

- Establishment registration and device listing requirements, in accordance with 21 CFR, Part 807;

- Quality System Regulation requirements, which govern the methods used in, and the facilities and controls used for, the design, manufacture, packaging, labeling, storage, installation, and servicing of finished devices, in accordance with 21 CFR, Part 820;

- Labeling requirements, which mandate the inclusion of certain content in device labels and labeling, and which also prohibit the promotion of products for uncleared or unapproved, i.e., "off-label," uses;

- Medical Device Reporting regulation, which requires that manufacturers and importers report to FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if it were to recur, in accordance with 21 CFR, Part 803; and

- Reports of Corrections and Removals regulation, which requires that manufacturers and importers report to FDA recalls (i.e., corrections or removals) if undertaken to reduce a risk to health posed by the device or to remedy a violation of the FDCA that may present a risk to health; manufacturers and importers must keep records of recalls that they determine to be not reportable, in accordance with 21 CFR, Part 806.

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

- Issuance of Form 483 observations during a facilities inspection;

- Untitled letters or warning letters;

- Fines, injunctions and civil penalties;

- Consent Decree, which forces improvements in the quality management system through the use of the federal courts;

- Recall or seizure of products;

- Operating restrictions, partial suspension or total shutdown of production;

- Refusing 510(k) clearance or premarket approval of new products;

- Withdrawing 510(k) clearance or premarket approvals that are already granted; and

- Criminal prosecution.

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

International Regulations

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

In the EU/EEA, Sensus's devices are required to comply with the essential requirements of the EU Medical Devices Directive (93/42/EEC). Compliance with these requirements entitles the Company to affix the CE marking of conformity to our medical devices, without which they cannot be commercialized in the EU/EEA. To demonstrate compliance with the essential requirements and obtain the right to affix the CE marking of conformity, the Company must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low-risk medical devices (Class I), where the manufacturer can issue an EC Declaration of Conformity based on a self-assessment of the conformity of its products with the essential requirements of the Medical Devices Directive, a conformity assessment procedure requires the intervention of a Notified Body, which is an organization accredited by a Member State of the EU/EEA to conduct conformity assessments. The Notified Body typically audits and examines the quality system for the manufacture, design and final inspection of devices before issuing a certification demonstrating compliance with the essential requirements. Based on this certification, we can draw up an EC Declaration of Conformity which allows us to affix the CE mark to our products.

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

The Company has obtained approval to sell our products in Australia, Canada, China, Europe, India, Israel, Mexico, Russia, South Africa, South Korea, and Taiwan, and is currently seeking approval in several other countries.

Sales and Marketing Commercial Compliance

Federal anti-kickback laws and regulations prohibit, among other things, persons from knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, in exchange for, or to induce either the referral of an individual, or the purchase, order or recommendation of, any good or service paid for under federal healthcare programs such as the Medicare and Medicaid programs. Possible sanctions for violation of these anti-kickback laws include monetary fines, civil and criminal penalties, exclusion from Medicare and Medicaid programs, and forfeiture of amounts collected in violation of such prohibitions.

In addition, federal false claims laws prohibit any person from knowingly presenting, or causing to be presented, a false claim for payment to the federal government, or knowingly making, or causing to be made, a false statement to get a false claim paid. Off-label promotion has been pursued as a violation of the federal false claims laws. Pursuant to FDA regulations, we can only market our products for cleared or approved uses. Although surgeons are permitted to use medical devices for indications other than those cleared or approved by FDA based on their medical judgment, we are prohibited from promoting products for such off-label uses. Additionally, the majority of states in which we market our products have similar anti-kickback, false claims, anti-fee splitting and self-referral laws, which may apply to items or services reimbursed by any third party payor, including commercial insurers, and violations may result in substantial civil and criminal penalties.

To enforce compliance with the federal laws, the U.S. Department of Justice, or DOJ, has increased its scrutiny of interactions between healthcare companies and healthcare providers, which has led to an unprecedented level of investigations, prosecutions, convictions and settlements in the healthcare industry. Dealing with investigations can be time- and resource-consuming. Additionally, if a healthcare company settles an investigation with the DOJ or other law enforcement agencies, the company may be required to agree to additional compliance and reporting requirements as part of a consent decree or corporate integrity agreement.

U.S. and foreign government regulators have increased regulation, enforcement, inspections and governmental investigations of the medical device industry, including increased U.S. government oversight and enforcement of the Foreign Corrupt Practices Act. Whenever a governmental authority concludes that a company is not in compliance with applicable laws or regulations, that authority can impose fines, delay or suspend regulatory clearances, institute proceedings to detain or seize the company's products, issue a recall, impose operating restrictions, enjoin future violations and assess civil penalties against the company, or its officers or employees and can recommend criminal prosecution. Moreover, governmental authorities can ban or request the recall, repair, replacement or refund of the cost of devices the company distributes.

Additionally, the commercial compliance environment is continually evolving in the healthcare industry as some states, including California, Massachusetts and Vermont, mandate implementation of corporate compliance programs, along with the tracking and reporting of gifts, compensation and other remuneration to physicians. The Affordable Care Act also imposes reporting and disclosure requirements on device manufacturers for any "transfer of value" made or distributed to prescribers and other healthcare providers. Device manufacturers are also required to report and disclose any investment interests held by physicians and their family members during the preceding calendar year. Failure to submit required information may result in civil monetary penalties of up to an aggregate of $150,000 per year (and up to an aggregate of $1 million per year for "knowing failures"), for all payments, transfers of value or ownership or investment interests not reported in an annual submission. The shifting compliance environment and the need to build and maintain robust and expandable systems to comply in multiple jurisdictions with different compliance or reporting requirements increases the possibility that a healthcare company may run afoul of one or more of the requirements.

Healthcare Fraud and Abuse

Healthcare fraud and abuse laws apply to Sensus's business when a customer submits a claim for an item or service that is reimbursed under Medicare, Medicaid or most other federally funded healthcare programs. The federal Anti-Kickback Statute prohibits unlawful inducements for the referral of business reimbursable under federally funded healthcare programs, such as remuneration provided to physicians to induce them to use certain tissue products or medical devices reimbursable by Medicare or Medicaid. The Anti-Kickback Statute is subject to evolving interpretations. For example, the government has enforced the Anti-Kickback Statute to reach large settlements with healthcare companies based on sham consultant arrangements with physicians. The majority of states also have anti-kickback laws which establish similar prohibitions that may apply to items or services reimbursed by any third party payor, including commercial insurers. Further, recently enacted amendments to the Affordable Care Act, among other things, amend the intent requirement of the federal anti-kickback and criminal healthcare fraud statutes. A person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it. In addition, the Affordable Care Act 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 false claims statutes. If a governmental authority were to conclude that we are not in compliance with applicable laws and regulations, we and our officers and employees could be subject to severe criminal and civil penalties including, for example, exclusion from participation as a supplier of product to beneficiaries covered by Medicare or Medicaid. In addition to the Anti-Kickback Statute, the federal physician self-referral statute, commonly known as the Stark Law, prohibits physicians who have a financial relationship with an entity, including an investment, ownership or compensation relationship, from referring Medicare patients for designated health services, which include clinical pathology services, unless an exception applies. Similarly, entities may not bill Medicare or any other party for services furnished pursuant to a prohibited referral. Many states have their own self-referral laws as well, which in some cases apply to all third party payors, not just Medicare and Medicaid. If a governmental authority were to conclude that we are not in compliance with the Stark Law or state self-referral laws and regulations, our business could be subject to severe financial consequences, including the obligation to refund amounts billed to third party payors in violation of such laws, civil penalties and potentially also exclusion from participation in government healthcare programs like Medicare and Medicaid. The Stark Law often is enforced through lawsuits brought under the Federal False Claims Act, violations of which trigger significant monetary penalties and treble damages.

Additionally, the civil False Claims Act prohibits knowingly presenting or causing the presentation of a false, fictitious or fraudulent claim for payment to the U.S. government. Actions under the False Claims Act may be brought by the Attorney General or as a qui tam action by a private individual in the name of the government. Violations of the False Claims Act can result in very significant monetary penalties and treble damages. The federal government is using the False Claims Act, and the accompanying threat of significant liability, in its investigations of healthcare providers and suppliers throughout the country for a wide variety of Medicare billing practices, and has obtained multi-million and multi-billion dollar settlements in addition to individual criminal convictions. Given the significant size of actual and potential settlements, it is expected that the government will continue to devote substantial resources to investigating healthcare providers' and suppliers' compliance with the healthcare reimbursement rules and fraud and abuse laws.

Health Information Privacy

The federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and their respective implementing regulations, impose requirements on certain covered healthcare providers, health plans and healthcare clearinghouses, known as covered entities, as well as their business associates that perform services for them that involve individually identifiable health information. The HIPAA privacy and security regulations, including the expanded requirements under HITECH, establish comprehensive federal standards with respect to the use and disclosure of protected health information by covered entities and their business associates, in addition to setting standards to protect the confidentiality, integrity and security of protected health information.

The Company has implemented policies and procedures related to compliance with the HIPAA privacy and security regulations, as required by law. The privacy and security regulations establish a "floor" and do not supersede state laws that are more stringent. Therefore, we are required to comply with both federal privacy and security regulations and varying state privacy and security laws. In addition, for healthcare data transfers from other countries relating to citizens of those countries, the Company must comply with the laws of those other countries. The federal privacy regulations restrict the ability to use or disclose patient identifiable laboratory data, without patient authorization, for purposes other than payment, treatment or healthcare operations (as defined by HIPAA), except for disclosures for various public policy purposes and other permitted purposes outlined in the privacy regulations. HIPAA, as amended by HITECH, provides for significant fines and other penalties for wrongful use or disclosure of protected health information in violation of the privacy and security regulations, including potential civil and criminal fines and penalties. If the Company does not comply with existing or new laws and regulations related to protecting the privacy and security of health information, it could be subject to monetary fines, civil penalties or criminal sanctions. In addition, other federal and state laws that protect the privacy and security of patient information may be subject to enforcement and interpretations by various governmental authorities and courts resulting in complex compliance issues. The Company could incur damages under state laws pursuant to an action brought by a private party for the wrongful use or disclosure of confidential health information or other private personal information. If the Company were to experience a breach of protected health information, it could be subject to significant adverse publicity in addition to possible enforcement sanctions and civil damages lawsuits. Finally, the Company may be required to incur additional costs related to ongoing HIPAA compliance as may be necessary to address evolving interpretations and enforcement of HIPAA and other health information privacy and security laws, the enactment of new laws or regulations, emerging cybersecurity threats and other factors.

Research and Development

Research and development costs related to development and quality and regulatory costs are expensed as incurred. For the years ended December 31, 2021 and 2020, the Company incurred research and development expense of approximately $3.4 million and $4.2 million, respectively. Most of the decrease in R&D spending in 2021 was related to the final development and production ramp-up of Sculptura™.

Employees and Human Capital

At December 31, 2021, Sensus had 37 employees, including 33 in the U.S. and four in Israel. None of the Company's employees are represented by a labor union or covered by a collective bargaining agreement.

The Company believes that its success depends on the ability to attract, develop, and retain key personnel. It also believes that the skills, experience, and industry knowledge of its key employees significantly benefits its operations and performance. The Company believes that it offers competitive compensation and other means of attracting and retaining key personnel.
Employee health and safety in the workplace is one of the Company's core values. The COVID-19 pandemic has underscored for the Company the importance of keeping employees safe and healthy. In response to the COVID-19 pandemic, the Company has taken actions aligned with the World Health Organization and the Centers for Disease Control and Prevention in an effort to protect the Company's employees so they can more safely and effectively perform their work. These actions include shutting down its headquarters for some months during 2020, providing facemasks to all employees, and allowing employees to work from home.

Employee levels are managed to align with the pace of business and management believes it has sufficient human capital to operate its business successfully.

Available Information

Sensus files annual, quarterly and current reports, proxy statements and all amendments to these reports and other information with the SEC. Sensus makes available free-of-charge, on or through its website at http://www.sensushealthcare.com, the Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and all amendments to those filings, as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC . The information on the Company's website is not incorporated by reference in this Annual Report on Form 10-K. Reports, proxy statements and other information regarding issuers that file electronically with the SEC, including Sensus's filings, are also available to the public from the SEC's website at http://www.sec.gov.

Item 1A. RISK FACTORS

An investment in Sensus's common stock contains a high degree of risk. Investors should carefully consider the following risks and uncertainties before making an investment decision with respect to our common stock. Our business, including our operating results and financial conditions, could be harmed if any of these risks, as well as other risks not currently known to us or that we currently deem immaterial, were to materialize. The trading price of Sensus's common stock could decline due to the occurrence of any of these risks. In assessing these risks, investors should also refer to the other information included in our filings with the SEC, including our financial statements and related note.

Risks Related to our Business

If third-party payors do not provide coverage and adequate reimbursement for the use of our products, it is unlikely that our products will be widely used, and our revenue will be negatively impacted.

In the U.S., the commercial success of Sensus's existing products and any future products will depend, in part, on the extent to which governmental payors at the federal and state levels, including Medicare and Medicaid, private health insurers, and other third-party payors provide coverage for and establish adequate reimbursement levels for procedures using these products. Neither hospitals nor physicians are likely to use Sensus's products if they do not receive adequate reimbursement payments for the procedures using these products.

Some private payors in the U.S. may base their reimbursement policies on the coverage decisions determined by the Center for Medicare & Medical Services, or CMS, which administers the Medicare program and works in partnership with state governments to administer the Medicaid program. Others may adopt different coverage or reimbursement policies for procedures performed using Sensus's products, while some governmental programs, such as Medicaid, have reimbursement policies that vary from state to state, some of which may not pay an amount that supports the selling price of Sensus's products, if at all. A Medicare national or local coverage decision denying coverage for any of the procedures performed using the Company's products could result in private and other third-party payors also denying coverage. Medicare (Part B) and a number of private insurers in the U.S. currently cover and pay for both non-melanoma skin cancer and keloid treatments using the SRT-100. A withdrawal, or even contemplation of a withdrawal, by CMS, Medicaid or private payors of reimbursements, or any other unfavorable coverage or reimbursement decisions by government programs or private payors, could have a material adverse effect on the Company's business.

Reimbursement systems in international markets vary significantly by country and by region within some countries, and reimbursement approvals must be obtained on a country-by-country basis. In many international markets, a product must be approved for reimbursement before it can be cleared for sale in that country. Further, many international markets have government-managed healthcare systems that control reimbursement for new devices and procedures. In most markets there are private insurance systems as well as government-managed systems. Sensus's products may not be considered cost-effective by international third-party payors or governments managing healthcare systems. Furthermore, reimbursement may not be available or, if available, third-party payors' reimbursement policies may adversely affect the Company's ability to sell products profitably. If sufficient coverage and reimbursement are not available for Sensus's products, in either the U.S. or internationally, the demand for these products and, consequently, the Company's revenues, will be adversely affected.

Our business, results of operations, and financial condition could be materially adversely affected by the effects of widespread public health epidemics, including COVID-19, that are beyond our control.

Outbreaks of contagious diseases, public health epidemics, and other adverse public health developments in countries where we, our customers, or our suppliers operate have had and could have a material and adverse effect on our business, results of operations and financial condition. The COVID-19 pandemic has impacted our sales as social distancing and related concerns forced physicians to temporarily close their practices in 2020. The pandemic is expected to continue to adversely impact our business, and the nature and extent of the impact is highly uncertain and beyond our control. Uncertain factors relating to COVID-19 include the duration, spread and severity of the virus, including the emergence of new variants, the effects of the COVID-19 pandemic on our customers, vendors and suppliers, and the actions or perception of actions that may be taken to contain or treat its impact, including declarations of states of emergency, business closures, manufacturing restrictions and prolonged restrictions on travel, commercial and other activities.

In addition, as a result of COVID-19 and the measures designed to contain its spread, our suppliers may not have the materials, capacity, or capability to manufacture our products according to our schedule and specifications. If our suppliers' operations are impacted, we may need to seek alternate suppliers, which may be more expensive, may not be available, or may result in delays in shipments to us and subsequently to our customers, each of which would affect our results of operations. The duration of the related financial impact to us, cannot be estimated at this time. Should such disruption continue for an extended period of time, the impact could have a material adverse effect on our business, results of operations and financial condition.

The Company's operations may be impaired if information technology systems fail to perform adequately or if are the subject of a data breach or cyberattack.

The Company's information technology systems are critically important to operating business efficiently. Sensus relies on information technology systems to manage business data, communications, employee information, and other business processes. The Company outsources certain business process functions to third-party providers and similarly relies on these third parties to maintain and store confidential information on their systems. The failure of these information technology systems to perform as the Company anticipates could disrupt business and could result in transaction errors, processing inefficiencies, and the loss of sales and customers, causing business and results of operations to suffer.

The Company has experienced, and expect to continue to experience, cyber security threats and incidents, none of which has been material to Sensus to date. Although Sensus protects our information technology systems, Sensus has experienced varying degrees of cyber-incidents in the normal conduct of business, including viruses, worms, phishing and other malicious activities. Although there have been no serious consequences to date, such breaches could result in unauthorized access to information, including customer, supplier, employee, or other company confidential data. Sensus carries insurance against these risks, perform penetration tests from time to time, and designs business processes to attempt to mitigate the risk of such breaches. However, the Company's efforts to mitigate these risks may be unsuccessful, and security breaches may occur. Moreover, the development and maintenance of these measures requires continuous monitoring as technologies change and efforts to overcome security measures evolve. However, a successful breach or attack could have a material negative impact on operations and subject the Company to consequences such as direct costs associated with incident response.

If our essential employees who are unable to "telework" become ill or otherwise incapacitated, our operations may be adversely impacted.

Consistent with rapidly changing federal, state and local governmental orders and recommendations, we have implemented informal telework policies for appropriate categories of our employees. Employees that are unable to telework continue to work at our facilities, and we have implemented appropriate safety measures, including social distancing, face covering mandates, temperature checking, and increased sanitation standards in an attempt to maintain the health and safety of our workforce. We are following guidance from the Centers for Disease Control and Prevention ("CDC") and the Occupational Safety and Health Administration ("OSHA") regarding suspension of nonessential travel, self-isolation recommendations for employees returning from certain geographic areas, confirmed reports of any COVID-19 diagnosis among our employees, and the return of such employees to our workplace. Pursuant to updated guidance from the Equal Employment Opportunity Commission, we are engaging in limited and appropriate inquiries of employees regarding potential COVID-19 exposure, based on the direct threat that such exposure may present to our workforce. We continue to address other unique situations that arise among our workforce due to the COVID-19 pandemic on a case-by-case basis. While we believe that we have taken appropriate measures to ensure the health and wellbeing of our employees, there can be no assurances that our measures will be sufficient to protect our employees in our workplace or that they may not otherwise be exposed to COVID-19 outside of our workplace. If a number of our essential employees become ill, incapacitated or are otherwise unable to continue working during the current or any future epidemic, our operations may be adversely impacted.

Substantially all of Sensus's revenue is generated from the sale of the SRT-100 and related products, and any decline in the sales of these products will negatively impact the Company's business, financial condition and results of operations.

The Company is focused heavily on the development and commercialization of a limited number of products for the treatment of non-melanoma skin cancer and other skin conditions with superficial radiotherapy. From the Company's inception in 2010 through December 31, 2021, revenue has primarily been derived from sales of the SRT-100 product line and related services and ancillary products. Although Sensus has introduced new products, the Company expects most of revenue in the near to medium term to be derived from or related to sales of the SRT-100 product line.

The Company's technology could be superseded by new products, treatments, or technologies that gain wider acceptance among doctors and patients, which could adversely affect the Company.

The medical device industry is highly competitive and subject to rapid technological change, and is significantly affected by new product and treatment introductions. The Company's products, some of which use technologies that have been available for many years, compete for market acceptance against those of healthcare providers who use other methods of treatment for similar diseases and conditions. If new products, treatments, and/or technologies were developed that gain wide acceptance among doctors and patients, it could take market share away from the Company, which could adversely affect the Company's ability to maintain or increase revenue and/or render the Company's products obsolete.

Sensus has a single preferred supplier for the x-ray tubes and other major components used in the Company's products and the loss of this preferred supplier could adversely affect the Company.

Sensus has a single preferred supplier for the x-ray tubes and other major components used in the Company's products. Although other suppliers exist in the market, the Company believes that our preferred supplier's products are of a superior quality. The loss of the preferred supplier, or its inability to supply the Company with an adequate supply of these components, could hinder the Company's ability to effectively produce the Company's products to meet existing demand levels, especially if Sensus were unable to timely procure them from other suppliers in the market, which could adversely affect the Company's ability to commercialize products and to maintain or increase revenues.

The Company's customers are concentrated in the U.S. (including one U.S. customer accounting for a significant portion of our sales), and economic difficulties or changes in the purchasing policies or patterns of the Company's customers in these countries could have a significant impact on future business and operating results.

Most of the Company's sales have been made to customers located in the U.S. (95% and 97% in the years ended December 31, 2021 and 2020, respectively). Additionally, a single customer in the U.S. accounted for approximately 57% and 40% of revenues for the years ended December 31, 2021, and 2020, respectively. Because of these concentrations, revenue could fluctuate significantly due to changes in economic conditions, competitive products, or the loss of, reduction of business with, or less favorable terms with, our significant customer or other U.S. customers. A reduction or delay in orders for the Company's products for these or other reasons could materially harm business and results of operations, including any adverse impact of the coronavirus epidemic.

Sensus may be required to obtain additional funds in the future, and these funds may not be available on acceptable terms or at all.

Sensus's operations have consumed substantial amounts of cash since inception. Sensus may need to seek additional capital, as our existing financial resources including our revolving line of credit, may not allow the Company to conduct all of the activities that would be beneficial for future growth.

The Company may need to seek funds in the future. The Company's existing revolving line of credit restricts the ability to incur certain indebtedness or permit certain encumbrances on assets without the prior written consent of the lender. If Sensus is unable to raise funds on favorable terms, or at all, the Company may not be able to support commercialization efforts, increase research and development activities, meet debt and other contractual obligations, and the growth of business may be negatively impacted. As a result, Sensus may be unable to compete effectively.

The Company's cash requirements in the future may be significantly different from current estimates and depend on many factors, including:

- the results of commercialization efforts for products;
- the need for additional capital to fund development programs;
- the costs involved in obtaining and enforcing patents or any litigation by third parties regarding intellectual property;
- the establishment of high-volume manufacturing and increased sales, marketing and distribution capabilities; and
- success in entering into collaborative relationships with other parties.

To the extent that Sensus raises additional capital through the sale of equity or convertible debt securities, the ownership interests of the existing stockholders will be diluted. Moreover, the terms of newly issued securities may include liquidation or other preferences that adversely affect common stockholders' rights. Debt financing, if available, may involve covenants limiting or restricting our ability to take specific actions such as incurring additional debt, making capital expenditures or declaring distributions or dividends. If Sensus raises additional funds through collaboration and licensing arrangements with third parties, the Company may have to relinquish valuable rights to technologies or products or to grant licenses on terms that are not favorable. Any of these events could adversely affect the ability to declare dividends on the Company's common stock and to achieve future product development and commercialization goals and could have a material adverse effect on our business, financial condition and results of operations.

Consolidation in the healthcare industry could adversely affect the Company's future revenues and operating income.

The medical technology industry has experienced a significant amount of consolidation, resulting in companies with greater market presence. Health care systems and other health care companies are also consolidating, resulting in greater purchasing power for the combined companies. The disruption in the healthcare industry caused by consolidation may lead to further competition among medical device suppliers to provide goods and services, which could adversely affect the Company's future revenues and operating income.

Risks Related to our Regulatory Environment

Sensus is subject to various federal, state and foreign healthcare laws and regulations, and a finding of failure to comply with these laws and regulations could have a material adverse effect on its business.

Sensus's operations are, and will continue to be, directly and indirectly affected by various federal, state and foreign healthcare laws, including, but not limited to, those described below.

- Federal Anti-Kickback Statute (42 U.S. Code §1320a-7b), which prohibits any person or entity from knowingly and willfully offering, paying, soliciting or receiving any remuneration, directly or indirectly, in cash or in kind, in return for or to induce the referring, ordering, leasing, purchasing or arranging for or recommending the referring, ordering, purchasing or leasing of any good, facility, item or service, for which payment may be made, in whole or in part, under federal healthcare programs, such as the Medicare and Medicaid programs.
- Federal "Sunshine" (42 U.S. Code §1320a-7h) law, which requires us to track and report annually to CMS information related to certain payments and other "transfers of value" provided to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals and to report annually to CMS ownership and investment interests held by physicians, and their immediate family members. We are also subject to similar foreign "sunshine" laws or codes of conduct, which vary country by country.
- Federal civil and criminal false claims laws and civil monetary penalty laws, which prohibit, among other things, persons or entities from knowingly presenting, or causing to be presented, a false or fraudulent claim to, or the knowing use of false records or statements to obtain payment from, or approval by, the federal government. Suits filed under the False Claims Act, known as "qui tam" actions, can be brought by any individual on behalf of the government and such individuals, commonly known as "whistleblowers," may share in any amounts paid by the entity to the government in fines or settlement. When an entity is determined to have violated the False Claims Act (31 U.S. Code §3729-3733), it may be required to pay up to three times the actual damages sustained by the government, plus civil penalties for each separate false claim. Many of the physicians that use our products will file for reimbursement from governmental programs such as Medicare and Medicaid. As a result, we may be subject to the False Claims Act if we knowingly "cause" the filing of false claims.
- Federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, statute, which, among other things, created federal criminal laws that prohibit knowingly and willfully executing, or attempting to execute, a scheme or artifice to defraud any healthcare benefit program and knowingly and willfully falsifying, concealing or covering up 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.

Additionally, HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, and applicable implementing regulations, impose certain requirements relating to the privacy, security and transmission of individually identifiable health information without appropriate authorization on entities subject to the law, such as health plans, clearinghouses, and healthcare providers and their business associates. Internationally, substantially every jurisdiction in which we operate has established its own data security and privacy legal framework with which we must comply, including the Data Protection Directive 95/46/EC and national implementation of the Directive in the member states of the European Union.

Many states have also adopted laws similar to each of the above federal laws, such as anti-kickback and false claims laws, which may be broader in scope and apply to items or services reimbursed by any third-party payor, including commercial insurers, as well as laws that restrict our marketing activities with healthcare professionals and entities, and require the Company to track and report payments and other transfers of value, including consulting fees, provided to healthcare professionals and entities. Some states mandate implementation of compliance programs to ensure compliance with these laws. Additionally, certain states require a certificate of need prior to the installation of a radiation device, such as the SRT-100. Sensus is also subject to foreign fraud and abuse laws, which vary by country.

If the Company's operations are found to be in violation of any of the laws or regulations described above or any other governmental regulations that apply now or in the future, Sensus may be subject to penalties, including administrative, civil and criminal penalties, damages, fines, disgorgement, individual imprisonment, contractual damages, reputational harm, exclusion from governmental healthcare programs, and the curtailment or restructuring of its operations. Any of the foregoing could adversely affect the Company's ability to operate its business and financial results.

Sensus is required to comply with medical device reporting requirements and must report certain malfunctions, deaths, and serious injuries associated with its

products, which can result in voluntary corrective actions or agency enforcement actions.

Under the U.S. Food and Drug Administration medical device reporting regulations (21 CFR 803), medical device manufacturers are required to submit information to the U.S. Food and Drug Administration when they receive a report or become aware that a device has or may have caused or contributed to a death or serious injury or has or may have a malfunction that would likely cause or contribute to death or serious injury if the malfunction were to recur. All manufacturers placing medical devices on the market in the European Economic Area are legally bound to report any serious or potentially serious incidents involving devices they produce or sell (MEDDEV 2.12-1) to the Competent Authority in whose jurisdiction the incident occurred through the European Vigilance process.

If an event subject to medical device reporting requirements occurs, Sensus will need to comply with the reporting requirements, which would adversely affect its reputation and subject the Company to actions by regulatory authorities, such as ordering recalls, imposing fines, or seizing the affected products. Furthermore, any corrective action, whether voluntary or involuntary, will require the dedication of time and capital and will distract management from business operations. Any of the foregoing would further harm the Company's reputation and financial results.

Healthcare policy changes may have a material adverse effect on Sensus's business.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, included, among other things, a deductible 2.3% excise tax on any entity that manufactures or imports medical devices offered for sale in the U.S., with limited exceptions, effective January 1, 2013. This excise tax imposed a significant increase in the tax burden on the medical device industry. This excise tax was repealed in 2018. Other elements of this law, including comparative effectiveness research, an independent payment advisory board, payment system reforms including shared savings pilots and other provisions, may significantly affect the payment for, and the availability of, healthcare services and may result in fundamental changes to federal healthcare reimbursement programs, any of which may materially affect numerous aspects of our business.

Other healthcare reform measures may result in more rigorous coverage criteria and in additional downward pressure on the reimbursement received for procedures utilizing our products. In addition, other legislative changes have been proposed and adopted since the law discussed above was enacted that may adversely affect the Company's revenues. Changes to existing laws may result in additional reductions in Medicare and other healthcare funding, which could have a material adverse effect on Sensus's business and financial operations. Any reduction in reimbursement from Medicare or other government programs may result in a reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent the Company from being able to increase revenue, attain profitability, or commercialize its devices. In addition, other legislative changes may be enacted or existing regulations, guidance or interpretations may be changed, each of which may adversely affect operations.

Risks Related to our Intellectual Property

If the Company's patents and other intellectual property rights do not adequately protect its products, we may lose market share to competitors and be unable to operate business profitably.

Sensus's success significantly depends on its ability to protect proprietary rights to the technologies used in its products. The Company relies on two U.S. patents and two foreign patents, as well as a combination of copyright, trade secret and trademark laws, and nondisclosure, confidentiality and other contractual restrictions, to protect proprietary technology. The Company also has patent applications currently pending and in the process of being submitted. However, these legal means afford only limited protection and may not adequately protect its rights or permit Sensus to gain or keep any competitive advantage. For example, some or all of the pending patent applications or any future pending applications may be unsuccessful. The U.S. Patent and Trademark Office may deny or require significant narrowing of claims in the pending patent applications or future patent applications, and patents issued as a result of these patent applications, if any, may not provide Sensus with significant commercial protection or be issued in a form that is advantageous. Sensus could also incur substantial costs in proceedings before the U.S. Patent and Trademark Office. These proceedings could result in adverse decisions as to the priority of its inventions and the narrowing or invalidation of claims in its issued patents. Third parties may successfully challenge issued patents and those that may be issued in the future, which would render these patents invalid or unenforceable, which in turn could limit the Company's ability to stop competitors from marketing and selling related products. In addition, pending patent applications include claims to aspects of the Company's products and procedures that are not currently protected by issued patents, and third parties may successfully patent those aspects before us or otherwise challenge Sensus's rights to these aspects.

Both the patent application process and the process of managing patent disputes can be time consuming and expensive. Competitors may be able to design around Sensus's patents or develop products that provide outcomes that are comparable to the Company's products. Although Sensus has entered into confidentiality agreements and intellectual property assignment agreements with certain of its employees, consultants and advisors in order to protect our intellectual property and other proprietary technology, these agreements may not be enforceable or may not provide meaningful protection for trade secrets or other proprietary information in the event of unauthorized use or disclosure or other breaches of the agreements. In addition, Sensus has not sought patent protection in all countries where it sells products. If Sensus fails to timely file a patent application in any such country or major market, Sensus may be precluded from doing so at a later date. Competitors may use the Company's technologies in jurisdictions where Sensus has not obtained patent protection to develop their own products and, further, may export otherwise infringing products to territories in which Sensus has patent protection that may not be sufficient to terminate infringing activities. Furthermore, the laws of some foreign countries may not protect intellectual property rights to the same extent as the laws of the U.S., if at all.

In the event a competitor infringes upon one of the Company's patents or other intellectual property rights, enforcing those patents and rights may be difficult and time consuming. Even if successful, litigation to defend these patents against challenges or to enforce Sensus's intellectual property rights could be expensive and time consuming and could divert management's attention. Moreover, the Company may not have sufficient resources to defend patents against challenges or to enforce intellectual property rights, any of which would adversely affect its ability to compete.

If Sensus's trademarks or trade names are not adequately protected, then the Company may be unable to build name recognition in markets of interest and business may be adversely affected.

Sensus's registered or unregistered trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to infringe other marks. Sensus may be unable to protect the rights to these trademarks and trade names, which the Company needs to build name recognition by potential partners or customers in markets of interest. If these trademarks are challenged, infringed upon, circumvented, or declared generic or infringing, or if the Company is unable to establish name recognition based on these trademarks and trade names, then it may be unable to compete effectively and the Company's business may be adversely affected.

The medical device industry is characterized by extensive patent litigation, and if Sensus becomes subject to litigation, it could be costly, result in the diversion of management's attention, require the Company to pay significant damages or royalty payments, or prevent the Company from marketing and selling existing or future products.

The medical device industry is characterized by extensive litigation and administrative proceedings over patent and other intellectual property rights. Determining whether a product infringes a patent involves complex legal and factual issues, the determination of which is often uncertain. As the number of participants in the market for skin cancer and general oncology devices and treatments increases, the possibility of patent infringement claims against Sensus increases. Any infringement claims, litigation or other proceedings would place a significant strain on the Company's financial resources, divert the attention of management from the core business and harm Sensus's reputation.

Adverse outcomes in litigation or similar proceedings could adversely impact business.

Sensus may in the future be, named as a party to litigation or other similar legal proceedings. Adverse outcomes in any or all of these proceedings could result in monetary damages or injunctive relief that could adversely affect its ability to continue conducting business. If an unfavorable final outcome in any such matter becomes probable and reasonably estimable, the Company's financial condition could be materially and adversely affected.

Risks Related to the Ownership of Sensus's Securities

We have a history of net losses prior to 2021. If we do not maintain profitability, our financial condition and the value of our common stock could suffer.

Sensus has a history of net losses. The historical losses from inception through December 31, 2020 totaled approximately $21.9 million. The Company reported net income during the year ended December 31, 2021 of $4.1 million, has significantly reduced its research and development expenses and is planning to continue to control these expenses. However, there can be no assurances that this and other actions will result in the Company's continued profitability.

Limited trading activity for shares of Sensus's common stock may contribute to price volatility.

While Sensus's common stock is listed and traded on the Nasdaq Capital Market, there has been limited trading activity in the Company's shares. Due to the limited trading activity of Sensus's common stock, relativity small trades may have a significant impact on the price of these securities.

The Company does not anticipate paying dividends for the foreseeable future. As a result, investors must rely on price appreciation of Sensus's common stock for a return on its investment in the foreseeable future.

The Company expects to retain any funds and future earnings to support the operation, growth and development of its business and does not anticipate paying any cash dividends on its common stock in the foreseeable future. As a result, a return on an investor's investment in the near future will occur only if the Company's share price appreciates. Sensus's common stock price may not appreciate in value or maintain the price at which an investor purchased these securities, and in either case, may not realize a return on investment or could lose all or part of an investment in Sensus's securities.

Any future determination to declare cash dividends will be made at the discretion of Sensus's Board of Directors and will be subject to compliance with applicable laws and covenants under any credit facilities, which may restrict or limit the Company's ability to pay dividends. For example, the Company's current revolving line of credit restricts the ability to pay dividends or make any distributions or payments or redeem, retire or purchase any capital stock without the prior written consent of the lender, provided that Sensus may pay dividends solely in common stock. Also, the form, frequency and amount of dividends will depend upon the Company's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. Sensus may not pay dividends as a result of any of the foregoing, and in these cases, an investor would need to rely on price appreciation of Sensus's common stock for a return on investment.

General stock market volatility could result in significant declines in the trading price of our securities, and an investor could lose all or a substantial part of an investment.

Stock markets have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our securities. In addition, limited trading volume of Sensus's securities may contribute to its future volatility. Price declines in Sensus's securities could result from general market and economic conditions, some of which are beyond the Company's control, and a variety of other factors, including any of the risk factors described in this Annual Report on Form 10-K. These broad market and industry factors may harm the market price of Sensus's securities, regardless of the Company's operating performance, and could cause an investor to lose all or part of an investment in Sensus's securities since an investor might be unable to sell these securities at or above the price paid. Factors that could cause fluctuations in the market price of Sensus's securities include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market prices and trading volumes of medical device company stocks;
- changes in operating performance and stock market valuations of other medical device companies generally, or those in our industry in particular;
- sales of Sensus's securities by the Company or stockholders;
- failure of securities analysts to initiate or maintain coverage of the Company, changes in financial estimates by securities analysts who follow Sensus or our failure to meet these estimates or the expectations of investors;
- the financial projections the Company may provide to the public, any changes in those projections or failure to meet those projections;
- rumors and market speculation involving Sensus or other companies in the industry;
- actual or anticipated changes in the Company's results of operations or fluctuations in results of operations;
- actual or anticipated developments in the Company's business, our competitors' businesses or the competitive landscape generally;
- litigation involving Sensus, our industry or both, or investigations by regulators into the Company's operations or those of our competitors;
- developments or disputes concerning Sensus's intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses or technologies by the Company or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to the business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- any significant change in the Company's management; and
- general economic conditions and slow or negative growth of the Company's markets.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against Sensus, could result in substantial costs and a diversion of management's attention and resources.

Sensus is a "smaller reporting company," and the reduced reporting requirements applicable to smaller reporting companies may make the Company's common stock less attractive to investors.

Effective December 31, 2021, Sensus, previously an "emerging growth company," became a "smaller reporting company," meaning that its "public float" – the outstanding common stock held by nonaffiliates - had a value of less than $250 million at the end of our most recently completed second fiscal quarter. As a smaller reporting company, the Company can take advantage of certain reduced governance and disclosure requirements, including not being required to comply with the auditor attestation requirements in the assessment of the Company's internal control over financial reporting. As a result, investors and others may be less comfortable with the effectiveness of Sensus's internal controls and the risk that material weaknesses or other deficiencies in internal controls go undetected may increase. In addition, as a smaller reporting company, Sensus takes advantage of the ability to provide certain other less comprehensive disclosures in our SEC filings, including, among other things, providing only two years of audited financial statements in annual reports and simplified executive compensation disclosures. Consequently, it may be more challenging for investors to analyze the Company's results of operations and financial prospects, as the information provided to stockholders may be different from what one might receive from other public companies in which one holds shares.

Sensus's executive officers and directors may exert control over the Company and may exercise influence over matters subject to stockholder approval.

Sensus's executive officers and directors, together with their respective affiliates, beneficially owned approximately 17% of our outstanding common stock as of March 9, 2022. Accordingly, these stockholders, if they act together, may exercise substantial influence over matters requiring stockholder approval, including the election of directors and approval of corporate transactions, such as a merger. This concentration of ownership could have the effect of delaying or preventing a change in control or otherwise discourage a potential acquirer from attempting to obtain control over the Company, which in turn could have a material adverse effect on the market value of Sensus's common stock.

If securities or industry analysts do not publish research or publish unfavorable or inaccurate research about Sensus's business, the price of the Company's securities and trading volume could decline.

The trading market for Sensus's securities depends, in part, on the research and reports that securities or industry analysts publish about the Company or business. Sensus may be unable to attract or sustain coverage by well-regarded securities and industry analysts. If either none or only a limited number of securities or industry analysts cover the Company, or if these securities or industry analysts are not widely respected within the general investment community, the trading price for Sensus's securities would be materially and negatively impacted. In the event the Company obtains securities or industry analyst coverage, if one or more of the analysts who cover Sensus downgrades the securities or publish inaccurate or unfavorable research about the Company, the price of Sensus's securities would likely decline. If one or more of these analysts cease coverage of Sensus, or fail to publish reports on the Company regularly, demand for the Company's securities could decrease, which might cause the price of its securities and trading volume to decline.

Sensus's certificate of incorporation, bylaws and Delaware law contain provisions that could discourage another company from acquiring the Company and may prevent attempts by the Company's stockholders to replace or remove the current directors and management.

Provisions of the General Corporation Law of Delaware (where the Company is incorporated), and the Company's certificate of incorporation and bylaws may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which an investor might otherwise receive a premium for its stock. In addition, these provisions may frustrate or prevent any attempts by the Company's stockholders to replace or remove the current management by making it more difficult for stockholders to replace or remove the Company's board of directors. These provisions include:

- authorizing the issuance of "blank check" preferred stock without any need for action by stockholders;
- requiring supermajority stockholder voting to effect any merger or sale of all or substantially all of the Company's stock and assets;
- eliminating the ability of stockholders to call and bring business before special meetings of stockholders;
- prohibiting stockholder action by written consent;
- establishing advance notice requirements for nominations for election to the Board of Directors or for proposing matters that can be acted on by stockholders at stockholder meetings;
- dividing the Company's Board of Directors into three classes so that only one third of the directors will be up for election in any given year; and
- providing that the Company's directors may be removed only by the affirmative vote of at least 75% of Sensus's then-outstanding common stock and only for cause.

In addition, Sensus is subject to Section 203 of the Delaware General Corporation Law, which may have an anti-takeover effect with respect to transactions not approved in advance by the Board of Directors, including discouraging takeover attempts that could result in a premium over the market price for shares of the Company's common stock. These provisions will apply even if a takeover offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that the Company's Board of Directors determines is not in the best interests of Sensus and its stockholders and could also affect the price that some investors are willing to pay for Sensus's common stock.

Sensus's certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for substantially all disputes between the Company and its stockholders, which could limit stockholders' ability to obtain a favorable judicial forum for disputes with the Company or its directors, officers or employees.

Sensus's certificate of incorporation provides that, unless the Company consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on behalf of the Company; any action asserting a breach of fiduciary duty; any action asserting a claim against the Company arising pursuant to the Delaware General Corporation Law, the Company's certificate of incorporation or bylaws; or any action asserting a claim against the Company that is governed by the internal affairs doctrine. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with the Company or its directors, officers or other employees, which may discourage these lawsuits against the Company and its directors, officers and other employees. If a court were to find the choice of forum provision contained in the Company's

certificate of incorporation to be inapplicable or unenforceable in an action, Sensus may incur additional costs associated with resolving the action in other jurisdictions, which could harm business and financial condition.

If Sensus fails to maintain proper and effective internal controls, the Company's ability to produce accurate and timely financial statements could be impaired and investors' views of the Company or its business could be harmed, resulting in a decrease in value of the Company's common stock.

As a public company, Sensus is required to maintain internal control over financial reporting and to report any material weaknesses in the Company's internal controls. In addition, the Company is required to furnish a report by management on the effectiveness of the internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. In addition, the Company's independent registered public accounting firm will be required to attest to the effectiveness of the internal control over financial reporting beginning with the Company's annual report on Form 10-K following the date on which Sensus no longer qualifies as a smaller reporting company. Compliance with Section 404 of the Sarbanes-Oxley Act will require the Company to incur substantial accounting expense and expend significant management efforts. If Sensus is unable to comply with the requirements of Section 404 in a timely manner, or the Company and the independent registered public accounting firm identify deficiencies in the internal control over financial reporting that are deemed to be material weaknesses, the market price of Sensus's common stock could decline and the Company could be subject to sanctions or investigations by Nasdaq, the SEC or other regulatory authorities, which would require additional financial and management resources.

Item 1B. UNRESOLVED STAFF COMMENTS

The Company has no unresolved comments from the SEC staff relating to Sensus's periodic or current reports filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended.

Item 2. PROPERTIES

Sensus's corporate headquarters is located in Boca Raton, Florida and occupies approximately 8,926 square feet of leased space. The lease expires in September 2022, with an option to extend upon terms to be negotiated. The Company believes that the current facilities are suitable and adequate to meet the Company's current needs and that suitable additional space will be available as and when needed on acceptable terms. Sensus's main manufacturing function is physically located at our third-party manufacturer's facility in Oak Ridge, Tennessee. Additional disclosures have been included within Note 7, *Commitments and Contingencies*, of the consolidated financial statements.

Item 3. LEGAL PROCEEDINGS

From time to time, Sensus is party to certain legal proceedings in the ordinary course of business. Management, after consultation with legal counsel, currently does not anticipate that the aggregate liability arising out of certain legal proceedings will have a material effect on Sensus's results of operations, financial position, or cash flows and have assessed that there is no need to record a liability for these legal proceedings and related contingencies. Additional disclosures have been included within Note 7, *Commitments and Contingencies* of the consolidated financial statements.

Item 4. MINE SAFETY DISCLOSURE

Not applicable.

PART II.

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Company's Class A common stock is publicly traded on the NASDAQ Capital Market under the symbol "SRTS."

Holders

At the close of business on March 9, 2021, there were 20 common stockholders of record. This does not include "street name" or beneficial owners, whose shares are held of record by banks, brokers, and other financial institutions.

Dividends

The Company has never declared or paid any dividends on its common stock and anticipates that for the foreseeable future all earnings will be retained for use rather than paid out as dividends. Any future payment of cash dividends will be dependent upon the Company's financial condition, results of operations, current and anticipated cash requirements, plans for expansion, as well as other factors that the Board of Directors deems relevant. Additionally, certain contractual agreements and provisions of Delaware law impose restrictions on our ability to pay dividends. For example, the Company's current revolving line of credit restricts the ability to pay dividends or make any distributions or payments or redeem, retire or purchase any capital stock without the prior written consent of the lender, provided that the Company may pay dividends solely in common stock without prior consent. Additionally, Section 170(a) of the Delaware General Corporation Law ("DGCL") only permits dividends to be paid out of two legally available sources: (1) out of surplus, or (2) if there is no surplus, out of net profits for the year in which the dividend is declared or the preceding year (so-called "nimble dividends"). However, dividends may not be declared or paid out of net profits if "the capital of the corporation, computed in accordance with [sections] 154 and 244 [of the DGCL], shall have been diminished by depreciation in the value of its property, or by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets." Contractual obligations and applicable law will restrict the ability to declare and pay dividends in the future.

Unregistered Sales of Securities

There were no unregistered sales of securities during the year ended December 31, 2021.

Purchases of Equity Securities by the Registrant and Affiliated Purchasers

None.

Item 6. RESERVED

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following management's discussion and analysis ("MD&A") in conjunction with the information set forth within the financial statements and related notes included in this Annual Report on Form 10-K.

Overview

As discussed elsewhere in this Report, Sensus achieved profitability for the first time in 2021 and seeks to maintain profitability by, among other things, reducing operational expenses where necessary in order to continue to invest in marketing initiatives to promote the Company's products. However, Sensus faces a number of uncertainties in 2022 that could impact our ability to achieve this goal. These include the ongoing coronavirus epidemic and international trade issues. Either of these matters could adversely affect the Company's ability to do business in a number of countries and geographic regions, including China.

Impact of COVID-19

The outbreak of COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has materially and adversely impacted the U.S. and global economies, as well as the Company, its employees and, operations, and customer demand. Although we have been able to continue to operate and service customers throughout the pandemic, it significantly impacted the Company's sales throughout 2020, as social distancing forced physicians to temporarily close their practices. In 2021, as the markets started to open, the Company was able to increase sales significantly. However, the ongoing COVID-19 pandemic, including the possible emergence of new variants, could further impact the Company's operations and the operations of the Company's customers, suppliers and vendors as a result of ongoing quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Company's business, results of operations and financial condition will depend on future developments. The Company cannot reasonably estimate the impact at this time. (See Note 1, *Business Overview*, of the consolidated financial statements).

Components of our results of operations

Sensus manages our business globally within one reportable segment, which is consistent with how management views the business, prioritizes investment and resource allocation decisions, and assesses operating performance.

Results of Operations

	For the Years Ended December 31,	
	2021	**2020**
Revenues	$ 27,042	$ 9,577
Cost of sales	10,054	4,328
Gross profit	16,988	5,249
Operating expenses		
Selling and marketing	4,838	5,336
General and administrative	4,594	3,989
Research and development	3,436	4,158
Total operating expenses	12,868	13,483
Income (loss) from operations	4,120	(8,234)
Other income (expense)		
Gain on acquisition	-	588
Gain on extinguishment of loan	-	757
Loss on asset disposal	(1)	-
Interest income	2	67
Interest expense	(2)	(14)
Other income (expense), net	(1)	1,398
Net income (loss)	$ 4,119	$ (6,836)

2021 Compared with 2020

Revenues of $27.0 million in 2021 increased $17.5 million, or 182%, from $9.6 million in 2020, primarily reflecting the increase in the number of units sold as the market started to open. During 2020, due to COVID-19, the Company was unable to sell effectively to its markets due to travel restrictions and other factors. The Company believes these factors are gradually subsiding as the healthcare industry has developed and continues to develop effective vaccines and other treatments for COVID-19, and as local, state, and federal governments have eased distancing and other restrictions. Additionally, the overall embrace of technology that enables the global business community to communicate effectively without the need for close proximity is expected to help the Company continue to reach its potential clients for 2022.

Cost of sales of $10.1 million in 2021 increased by $5.7 million, or 132%, from $4.3 million in 2020, reflecting the increased number of units sold.

Gross profit increased $11.8 million, or 223.6%, from 2020, primarily driven by the increase in units sold. Maintaining this level in 2022 in gross profit or gross margin, as a percentage of revenue, is largely dependent upon the status of the COVID-19 pandemic and the market's response to the COVID-19 pandemic.

Selling and marketing expenses decreased $0.5 million, or 0.9%, from 2020, primarily attributable reduced spending on marketing activities and headcount.

General and Administrative expenses increased $0.6 million, or 15.0%, from 2020, due primarily to increases in insurance expense and professional fees.

Research and development expenses decreased $0.7 million or 17.4.%, from 2020, reflecting lower spending as the Sculptura™ project entered production phase.

Other income (expense), net of $1.4 million in 2020 is primarily attributable to the forgiveness of $757,782 of our loan under the Small Business Administration Paycheck Protection Program (See "Financial Condition" below and Note 5, *Debt*, of the consolidated financial statements) and a bargain purchase gain $588,011 which was recorded as a result of acquisitions (See Note 2, *Acquisitions*, to the consolidated financial statements).

Financial Condition

The Company's cash, cash equivalent and investment balance decreased to $14.5 million at December 31, 2021 from $14.9 at December 31, 2020, primarily due to cash

used in operating activities.

There were no borrowings under the revolving line of credit at December 31, 2021 and 2020.

In light of the ongoing COVID-19 pandemic, the Company continued to take proactive steps during 2021 to manage costs and preserve liquidity. These steps included maintaining borrowing availability as a precautionary measure to preserve financial flexibility in view of the uncertainty in global markets resulting from the COVID-19 pandemic. In addition, in 2020, we obtained a loan of $1,022,785 under the Small Business Administration Paycheck Protection Program enabled by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act of 2020 which was used for employee compensation and facilities costs. The loan matures in April 2022 and accrues interest at 1% per annum. The principal of the loan is subject to forgiveness if used for the limited purposes specified in the CARES Act. The Company applied for forgiveness and has been notified that $757,782 of the principal of the loan has been forgiven, leaving a balance of $51,021 to be paid by April 2022.

Liquidity and Capital Resources

Overview

In general terms, liquidity is a measurement of the Company's ability to meet its cash needs. For the years ended December 31, 2021 and 2020, a significant source of funding has been cash flows from investing and financing activities. The Company believes that proceeds from maturing investments, borrowing capacity, and access to capital resources are sufficient to meet operating capital and funding requirements for the next 12 months from the date of this annual report. The Company's liquidity position and capital requirements may be impacted by a number of factors, including the following:

- ability to generate and increase revenue;
- fluctuations in gross margins, operating expenses and net results; and
- fluctuations in working capital.

The Company's primary short-term capital needs, which are subject to change, include expenditures related to:

- expansion of sales and marketing activities; and
- expansion of research and development activities.

Sensus's management regularly evaluates cash requirements for current operations, commitments, capital requirements and business development transactions, and may seek to raise additional funds for these purposes in the future.

Cash flows

The following table provides a summary of the Company's cash flows for the periods indicated:

(In thousands)	For the Years Ended December 31,	
	2021	**2020**
Net cash provided by (used in):		
Operating activities	$ (286)	$ (434)
Investing activities	129	7,030
Financing activities	(231)	211
Increase (decrease) in cash and cash equivalents	$ (388)	$ 6,807

Cash flows from operating activities

Net cash used in operating activities was $0.3 million for the year ended December 31, 2021, consisting of net income of $4.1 million partially offset by an increase in net operating assets of $6.1 million and non-cash charges of $1.7 million. The increase in net operating assets was primarily related to an increase in sales, resulting in an increase in accounts receivable and accounts payable and accrued expenses, offset by a decrease in inventory and a decrease in deferred revenue and product warranty. Non-cash charges consisted of depreciation and amortization, stock base compensation and product warranty charges. Net cash used in operating activities was $0.4 million for the year ended December 31, 2020, consisting of a net loss of $6.8 million partially offset by an increase in net operating assets of $5.6 million and non-cash charges of $0.8 million. The increase in net operating assets was primarily related to a decrease in sales and resulting in a decrease in accounts receivable, offset by an increase in inventory and a decrease in accounts payable and accrued expenses. Non-cash charges consisted of depreciation and amortization, partially offset by the gain on bargain purchase in 2020.

Cash flows from investing activities

Net cash provided by investing activities was $0.1 million during the year ended December 31, 2021, primarily due to proceeds from sale of equipment, partially offset by acquisition of property and equipment. Net cash provided by investing activities was $7.0 million during the year ended December 31, 2020, primarily due to matured investments of $7.4 million, partially offset by $0.4 million of acquisition of property and equipment during the year ended December 31, 2020.

Cash flows from financing activities

Net cash used in financing activities was $0.2 million during the year ended December 31, 2021, mostly from the balance of the loan under the Small Business Administration Paycheck Protection Program. Net cash provided by financing activities was $0.2 million during the year ended December 31, 2020, mostly from the balance of the loan of $0.2 under the Small Business Administration Paycheck Protection Program.

Indebtedness

Please see Note 5, *Debt*, to the consolidated financial statements.

Contractual Obligations and Commitments

Please see Note 7, *Commitments and Contingencies*, to the consolidated financial statements.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expense during the reporting periods. Management has identified certain accounting policies as critical to understanding the financial condition and results of operations. For a detailed discussion on the application of these and other accounting policies, see the notes to the financial statements included in this

Annual Report on Form 10-K.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

FINANCIAL STATEMENTS OF SENSUS HEALTHCARE, INC.
CONTENTS

MARCUM
ACCOUNTANTS ▲ ADVISORS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Sensus Healthcare, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Sensus Healthcare, Inc. (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

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 audits 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.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Marcum LLP
Marcum LLP

We have served as the Company's auditor since 2012.

Fort Lauderdale, FL.
March 25, 2022
PCAOB Number: 688

MARCUMGROUP MEMBER
Marcum LLP 450 East Las Olas Boulevard 9th Floor Fort Lauderdale, Florida 33301 Phone 954.320.8000 Fax 954.320.8001 www.marcumllp.com

SENSUS HEALTHCARE, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands, except shares and per share data)	As of December 31, 2021	As of December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 14,519	$ 14,907
Accounts receivable, net	12,130	3,776
Inventories	1,759	4,427
Prepaid and other current assets	2,837	2,061
Total current assets	31,245	25,171
Property and equipment, net	605	1,356
Intangibles	146	338
Deposits	75	69
Operating lease right-of-use assets, net	169	1,076
Total assets	$ 32,240	$ 28,010
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable and accrued expenses	$ 4,058	$ 2,874
Deferred revenue, current portion	1,172	1,492
Operating lease liabilities, current portion	174	303
Product warranties	508	187
Loan Payable	51	-
Total current liabilities	5,963	4,856
Loan payable	-	267
Operating lease liabilities	-	812
Deferred revenue, net of current portion	262	579
Total liabilities	6,225	6,514
Commitments and contingencies		
Stockholders' equity		
Preferred stock, 5,000,000 shares authorized and none issued and outstanding	-	-
Common stock, $0.01 par value – 50,000,000 authorized; 16,694,311 issued and 16,617,274 outstanding at December 31, 2021; 16,564,311 issued and 16,491,103 outstanding at December 31, 2020	167	166
Additional paid-in capital	44,115	43,701
Treasury stock, 77,037 and 73,208 shares at cost, at December 31, 2021 and 2020, respectively	(325)	(310)
Accumulated deficit	(17,942)	(22,061)
Total stockholders' equity	26,015	21,496
Total liabilities and stockholders' equity	$ 32,240	$ 28,010

See accompanying notes to the consolidated financial statements.

SENSUS HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except shares and per share data)	For the Years Ended December 31, 2021	For the Years Ended December 31, 2020
Revenues	$ 27,042	$ 9,577
Cost of sales	10,054	4,328
Gross profit	16,988	5,249
Operating expenses		
Selling and marketing	4,838	5,336
General and administrative	4,594	3,989
Research and development	3,436	4,158
Total operating expenses	12,868	13,483
Income (loss) from operations	4,120	(8,234)
Other income (expense)		
Gain on bargain purchase	-	588
Gain on extinguishment of loan	-	758
Loss on asset disposal	(1)	-
Interest income	2	66
Interest expense	(2)	(14)
Other income (expense), net	(1)	1,398
Net income (loss)	$ 4,119	$ (6,836)
Net income (loss) per share – basic	$ 0.25	$ (0.42)
– diluted	$ 0.25	$ (0.42)
Weighted-average number of shares used in computing net loss per share – basic	16,476,122	16,434,079
– diluted	16,503,134	16,434,079

See accompanying notes to the consolidated financial statements.

SENSUS HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(in thousands, except shares and per share data)

	Common Stock		Additional Paid-in	Treasury Stock		Accumulated	
	Shares	Amount	Capital	Shares	Amount	Deficit	Total
December 31, 2019	**16,540,478**	**$ 166**	**$ 43,314**	**(54,698)**	**$ (253)**	**$ (15,225)**	**$ 28,002**
Surrender of shares for tax withholding on stock compensation	—	—	—	(18,510)	(57)	—	(57)
Forfeiture of common stock	(11,250)	—	—	—	—	—	—
Stock-based compensation	35,000	—	386	—	—	—	386
Exercise of warrants	83	—	1	—	—	—	1
Net loss	—	—	—	—	—	(6,836)	(6,836)
December 31, 2020	**16,564,311**	**$ 166**	**$ 43,701**	**(73,208)**	**$ (310)**	**$ (22,061)**	**$ 21,496**
Surrender of shares for tax withholding on stock compensation	—	—	—	(3,829)	(15)	—	(15)
Stock-based compensation	130,000	1	414	—	—	—	415
Net income	—	—	—	—	—	4,119	4,119
December 31, 2021	**16,694,311**	**$ 167**	**$ 44,115**	**(77,037)**	**$ (325)**	**$ (17,942)**	**$ 26,015**

See accompanying notes to the consolidated financial statements.

SENSUS HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	For the Years Ended December 31,	
	2021	2020
Cash flows from operating activities		
Net income (loss)	$ 4,119	$ (6,836)
Adjustments to reconcile net loss to net cash and cash equivalents used in operating activities:		
Bad debt expense	78	24
Depreciation and amortization	613	722
Loss on sale of property and equipment	47	-
Gain resulting from termination of lease	(38)	-
Provision for product warranties	530	296
Gain on bargain purchase	-	(588)
Stock-based compensation	415	386
Impairment of intangible assets	88	-
Changes in operating assets (decrease (increase)):		
Accounts receivable	(8,432)	10,250
Inventories	2,735	(1,430)
Prepaid and other current assets	(557)	(199)
Changes in operating liabilities (increase (decrease)):		
Accounts payable and accrued expenses	962	(2,303)
Deferred revenue	(637)	(460)
Product warranties	(209)	(296)
Total adjustments	(4,405)	6,402
Net cash used in operating activities	(286)	(434)
Cash flows from investing activities		
Acquisition of property and equipment	$ (128)	$ (359)
Proceeds from the sale of property and equipment	257	-
Investments matured	-	7,389
Net cash provided by investing activities	129	7,030
Cash flows from financing activities		
Loan proceeds	-	267
Principal repayment of loan payable	(216)	-
Withholding taxes on stock compensation	(15)	(57)
Exercise of warrants	-	1
Net cash provided by (used in) financing activities	(231)	211
Net increase (decrease) in cash and cash equivalents	(388)	6,807
Cash and cash equivalents, beginning of year	14,907	8,100
Cash and cash equivalents, end of year	$ 14,519	$ 14,907
Supplemental disclosure of cash flow information:		
Interest paid	$ 2	$ 12
Supplemental schedule of noncash investing and financing transactions		
Transfer of property and equipment to inventory	$ 66	$ -
PPP loan (forgiveness portion)	$ -	$ 758
Decrease in operating lease right-of-use assets and operating lease liabilities resulting from early termination of lease	$ 655	$ -

See accompanying notes to the consolidated financial statements.

SENSUS HEALTHCARE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF THE BUSINESS

Sensus Healthcare, Inc. (together, with its subsidiary, unless the context otherwise indicates, "Sensus" or the "Company") is a manufacturer of radiation therapy devices and sells the devices to healthcare providers globally through its distribution and marketing network. The Company operates as one segment from its corporate headquarters located in Boca Raton, Florida.

BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and include the accounts of the Company and its subsidiary. Accounts and transactions between consolidated entities have been eliminated.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting periods. Actual results could differ from those estimates.

IMPACT OF COVID-19

The outbreak of COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has materially and adversely impacted the U.S. and global economies, as well as the Company, its employees and, operations, and customer demand. Although we have been able to continue to operate and service customers throughout the pandemic, it significantly impacted the Company's sales throughout 2020, as social distancing forced physicians to temporarily close their practices. In 2021, as the markets started to open, the Company was able to increase sales significantly. However, the ongoing COVID-19 pandemic, including the possible emergence of new variants, could further impact the Company's operations and the operations of the Company's customers, suppliers and vendors as a result of ongoing quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Company's business, results of operations and financial condition will depend on future developments. The Company cannot reasonably estimate the impact at this time.

REVENUE RECOGNITION

Revenue is recognized upon transfer of control of promised goods or services to customers in an amount to which the Company expects to be entitled in exchange for those goods or services. The Company enters into contracts that can include multiple services, which are accounted for separately if they are determined to be distinct.

The Company's revenue derives from sales of the Company's devices and services related to maintaining and repairing the devices. The agreement for the sale of the devices and the service contract are usually signed at the same time, although in some instances a service contract is signed on a stand-alone basis. Revenue for service contracts is recognized over the service contract period on a straight-line basis. The Company has determined that in practice no significant discount is given on the service contract when it is offered with the device purchase as compared to when it is sold on a stand-alone basis. The service level provided is identical whether the service contract is purchased on a stand-alone basis or together with the device. There is no termination provision in the service contract nor any penalties in practice for cancellation of the service contract

The components of disaggregated revenue are as follows:

(in thousands)

	2021	2020
Product revenue	$ 22,217	$ 5,449
Service revenue	4,825	4,128
Total revenue	$ 27,042	$ 9,577

The Company operates in a highly regulated environment, primarily in the U.S. dermatology market, in which state regulatory approval is sometimes required prior to the customer being able to use the product. In cases where such regulatory approval is pending, revenue is deferred until such time as regulatory approval is obtained.

Deferred revenue activity for 2021 and 2020 is as follows:

(in thousands)

	Product	Service	Total
December 31, 2019	$ -	$ 2,531	$ 2,531
Revenue recognized	-	(2,860)	(2,860)
Amounts invoiced	23	2,377	2,400
December 31, 2020	23	2,048	2,071
Revenue recognized	(23)	(3,113)	(3,136)
Amounts invoiced	97	2,402	2,499
December 31, 2021	$ 97	$ 1,337	$ 1,434

The Company does not disclose information about remaining performance obligations of deposits for products that have original expected durations of one year or less. Estimated service revenue to be recognized in the future related to the performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2021 is as follows:

(in thousands)

Year	Service Revenue
2022	$ 1,075
2023	138

2024	81
2025	23
2026	20
Total	$ 1,337

The Company provides warranties, generally for one year, in conjunction with the sale of its products. These warranties entitle the customer to repair, replacement, or modification of the defective product subject to the terms of the respective warranties. The Company records an estimate of future warranty claims at the time the Company recognizes revenue from the sale of the device based upon management's estimate of the future claims rate.

Shipping and handling costs are expensed as incurred and are included in cost of sales.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with highly rated financial institutions.

Segment and Geographical Information

The Company's revenue is generated primarily from customers in the U.S., which represented approximately 95% and 97% of revenue for the years ended December 31, 2021 and 2020, respectively. One customer in the U.S. accounted for approximately 57% and 40% of revenue for the years ended December 31, 2021 and 2020, respectively, and 94% and 63% of the accounts receivable as of December 31, 2021 and 2020, respectively.

Fair Value of Financial Instruments

Carrying amounts of cash equivalents, accounts receivable, accounts payable and the revolving credit facility approximate fair value due to their relative short maturities.

Fair Value Measurements

The Company uses a fair value hierarchy that prioritizes inputs to valuation approaches used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 Inputs:

Quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date.

- Level 1 assets may include listed mutual funds, ETFs and listed equities

Level 2 Inputs:

Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; quotes from pricing services or brokers for which the Company can determine that orderly transactions took place at the quoted price or that the inputs used to arrive at the price are observable; and inputs other than quoted prices that are observable, such as models or other valuation methodologies.

- Level 2 assets may include debt securities and foreign currency exchange contracts that have inputs to the valuations that generally can be corroborated by observable market data.

Level 3 Inputs:

Unobservable inputs for the valuation of the asset or liability, which may include nonbinding broker quotes.

- Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation.

Significance of Inputs: The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

Foreign Currency

The Company's foreign operation functional currency is the U.S. dollar. The Company considers its Israel subsidiary an extension of the parent company operations in the United States. The cash flow in the foreign operation depends primarily on the funding by the parent company.

Cash and Cash Equivalents

Cash and cash equivalents primarily consists of cash, money market funds and short-term, highly liquid investments with original maturities of three months or less.

For purposes of the statements of cash flows, the Company considers all highly liquid financial instruments with a maturity of three months or less when purchased to be a cash equivalent.

Accounts Receivable

The Company does business and extends credit based on an evaluation of each customer's financial condition, generally without requiring collateral. Exposure to losses on receivables is expected to vary by customer due to the financial condition of each customer. The Company monitors exposure to credit losses and maintains allowances for anticipated losses considered necessary under the circumstances. The allowance for doubtful accounts was approximately $69 thousand and $24 thousand as of December 31, 2021 and 2020, respectively. Bad debt expense for the years ended December 31, 2021 and 2020 were approximately $78 thousand and $24 thousand, respectively.

INVENTORIES

Inventories consist of finished product and components and are stated at the lower of cost and net realizable value, determined using the first-in-first-out method.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Depreciation on property and equipment is calculated on the straight-line basis over the estimated useful life of each asset. Maintenance and repairs are expensed as incurred; expenditures that enhance the value of property or extend their useful lives are capitalized. When assets are sold or returned, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is included in income.

Inventory units designated for customer demonstrations, as part of the sales process, are reclassified to property and equipment and the depreciation is recorded to selling and marketing expense. Property and equipment for demonstrations and other programs that were reclassified to inventory was approximately $66 thousand and $0 for the years ended December 31, 2021 and 2020, respectively.

INTANGIBLE ASSETS

Intangible assets are comprised of the Company's patent rights and finite-lived intangible assets acquired in acquisitions.

The carrying value of finite-lived assets and their remaining useful lives are reviewed at least annually to determine if triggering events have occurred that may indicate a potential impairment or revision to the amortization period. For finite-lived intangible assets, if potential impairment circumstances are considered to exist, the Company will perform a recoverability test using an undiscounted cash flow analysis. Actual results could differ from these cash flow estimates, which could materially impact the impairment conclusion. If the carrying value of the asset is determined not to be recoverable based on the undiscounted cash flow test, the difference between the carrying value of the asset and its current fair value would be recognized as an expense in the period in which the impairment occurs. Impairment charges of $88 thousand and $0 were recorded for intangible assets for the years ended December 31, 2021 and 2020, respectively.

RESEARCH AND DEVELOPMENT

Research and development costs related to products under development by the Company and quality and regulatory costs and are expensed as incurred.

EARNINGS PER SHARE

Basic net income (loss) per share is calculated by dividing the net income (loss) by the weighted-average number of common shares outstanding for the period using the treasury stock method for options and warrants. Diluted net income per share is computed by giving effect to all potential dilutive common share equivalents outstanding for the period. In periods when the Company has incurred a net loss, options and warrants to purchase common shares are considered common share equivalents but have been excluded from the calculation of diluted net loss per share as their effect is antidilutive. Shares excluded were computed under the treasury stock method as follows:

	For the Years Ended December 31,	
	2021	**2020**
Restricted shares	-	106

EQUITY-BASED COMPENSATION

Pursuant to relevant accounting guidance related to accounting for equity-based compensation, the Company is required to recognize all share-based payments to non-employees and employees in the financial statements based on grant-date fair values. The Company has accounted for issuances of shares, options, and warrants in accordance with the guidance, which requires the recognition of expense, based on grant-date fair values, over the service period, generally periods over which the shares, options and warrants vest.

ADVERTISING COSTS

Advertising and promotion costs are charged to expense as incurred. Advertising and promotion costs included in selling and marketing expense in the accompanying statements of operations amounted to approximately $460 thousand and $515 thousand for the years ended December 31, 2021 and 2020, respectively.

LEASES

The Company evaluates arrangements at inception to determine if an arrangement is or contains a lease. Operating lease assets represent the Company's right to control an underlying asset for the lease term, and operating lease liabilities represent the Company's obligation to make lease payments arising from the lease. Control of an underlying asset is conveyed to the Company if the Company obtains the rights to direct the use of and to obtain substantially all of the economic benefits from using the underlying asset. Operating lease assets and liabilities are recognized at the commencement date of the lease based upon the present value of lease payments over the lease term. When determining the lease term, the Company includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The Company uses an incremental borrowing rate that the Company would expect to incur for a fully collateralized loan over a similar term under similar economic conditions to determine the present value of the lease payments. The Company has lease agreements which include lease and non-lease components, which the Company has elected to account for as a single lease component for all classes of underlying assets.

The lease payments used to determine the Company's operating lease assets may include lease incentives, and stated rent increases and are recognized in the Company's operating lease assets in the Company's consolidated balance sheets. Operating lease assets are amortized to rent expense over the lease term and included in operating expenses in the consolidated statements of operations.

NOTE 2 — ACQUISITIONS

On August 3, 2020, the Company acquired two mobile aesthetic laser companies, now known as Sensus Laser Aesthetic Solutions ("SLAS"), to complement and expand the Company's offerings. The aggregate purchase price of $999 thousand was to be treated as compensation for post-acquisition services and to be recorded as compensation expense over the remaining service periods. The purchase price was allocated to the assets acquired and liabilities assumed based upon their estimated fair values at the date of the transaction. A summary of the estimated fair values of the assets acquired and liabilities assumed is as follows:

(in thousands)

	Fair Value
Accounts receivable	$ 39
Property and equipment	528
Finite-lived intangible assets:	
Trade names	22
Customer relationships	87
Other liabilities assumed	(88)
Bargain purchase gain	$ 588

A bargain purchase gain results from an acquisition if the fair value of the purchase consideration paid in connection with such acquisition is less than the net fair value of the assets acquired and liabilities assumed. Accordingly, the Company recorded a bargain purchase gain of $588 thousand, which is included in other income on the consolidated statements of operations for the year ended December 31, 2020.

During the year ended December 31, 2021, the aggregate purchase price was reduced to $229 thousand due to the termination of a compensation arrangement with one of the parties. No further obligations are due to this party.

In April 2021, the Company sold to the terminated party certain property and equipment acquired in one of the acquisitions for approximately $257 thousand. During the year ended December 31, 2021, the Company recorded $88 thousand of impairment charges on intangible assets and $47 thousand for a loss on the sale of property and equipment associated with this transaction.

The Company does not expect to incur any additional impairment charges related to the acquisitions.

NOTE 3 — PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

(in thousands)	As of December 31, 2021	As of December 31, 2020	Estimated useful life-in years
Operations and rental equipment	$ 1,760	$ 2,178	3
Tradeshow and demo equipment	927	923	3
Computer equipment	129	119	3
	2,816	3,220	
Less accumulated depreciation	(2,211)	(1,864)	
Property and Equipment, Net	$ 605	$ 1,356	

Depreciation expense was approximately $509 thousand and $613 thousand for the years ended December 31, 2021 and 2020, respectively. Accumulated depreciation on asset disposals was approximately $88 thousand and $74 thousand for the years ended December 31, 2021 and 2020, respectively.

NOTE 4 — INTANGIBLES

(in thousands)	Patent Rights	Customer Relationships	Trade Names	Total
December 31, 2019	$ 337	$ —	$ —	$ 337
Acquired assets	—	87	22	109
Amortization expense	(96)	(3)	(9)	(108)
December 31, 2020	$ 241	$ 84	$ 13	$ 338
Impaired assets	—	(81)	(7)	(88)
Amortization expense	(96)	(2)	(6)	(104)
December 31, 2021	$ 145	$ 1	$ -	$ 146

Amortization expense was approximately $104,000 and $108,000 for the years ended December 31, 2021 and 2020, respectively.

Estimated amortization expense for the finite-lived intangible assets for each of succeeding years is as follows:

For the Year Ending December 31, *(in thousands)*	
2022	$ 97
2023	48
2024	1

NOTE 5 — DEBT

The Company has a revolving credit facility that, through April 2020, provided for maximum borrowings equal to the lesser of (a) the $5 million commitment amount or (b) a borrowing base equal to 80% of eligible accounts receivable plus a $2.5 million non-formula sublimit. In October 2019, the term of the facility was extended through January 29, 2020; in January 2020, the term was further extended through April 28, 2020; and in April 2020, the term was further extended to April 1, 2022, and the maximum borrowings were increased to the lesser of (a) the $10 million commitment amount or (b) the borrowing base plus a $3 million non-formula sublimit. Interest on any borrowings, at Prime plus 0.75% (4.00% at December 31, 2021) and Prime plus 1.50% on non-formula borrowings (4.75% at December 31, 2021) is payable monthly, and the outstanding principal and interest are due on the maturity date. The facility is secured by all of the Company's assets and limits the amount of additional indebtedness; restricts the sale, disposition or transfer of assets of the Company; and requires the maintenance of a monthly adjusted quick ratio restrictive covenant, as defined in the facility. The Company was in compliance with its financial covenants as of December 31, 2021 and December 31, 2020. There were no borrowings outstanding under the revolving credit facility at December 31, 2021 and December 31, 2020. The Company pays commitment fees of 0.25% per annum on the average unused portion of the line of credit.

On April 20, 2020, the Company received a loan of $1,022,785 under the Small Business Administration ("SBA") Paycheck Protection Program enabled by the CARES Act of 2020, to be used for employee compensation and facilities costs. The loan provided for a six-month deferral period during which no payments were due, although interest accrued during this period. The loan matures in April 2022 and provides for interest at the rate of 1% per annum. The loan is subject to forgiveness for principal that is used for the limited purposes that expressly qualify for forgiveness under SBA requirements. The Company applied for and has been notified

that $757,782 in eligible expenditures for payroll and other expenses described in the CARES Act has been forgiven. Loan forgiveness is reflected in gain on extinguishment of the loan in the consolidated statements of operations. As of December 31, 2021 and 2020, the outstanding balance on the SBA loan was approximately $51 thousand and $267 thousand, respectively.

NOTE 6 — PRODUCT WARRANTIES

Changes in product warranty liability were as follows for the years ended December 31, 2021 and 2020:

(in thousands)

Balance, December 31, 2019	$	187
Warranties accrued during the period		296
Payments on warranty claims		(296)
Balance, December 31, 2020	$	187
Warranties accrued during the period		530
Payments on warranty claims		(209)
Balance, December 31, 2021	$	508

NOTE 7 — COMMITMENTS AND CONTINGENCIES

OPERATING LEASE AGREEMENTS

The Company leases its headquarters office from an unrelated third party. The lease was last renewed in 2016 and expires in September 2022 with an option to extend with prior notice upon terms to be negotiated.

The Company's subsidiary previously leased a manufacturing facility under a 10-year lease expiring in July 2029. In accordance with the lease terms, the Company terminated the lease as of October 31, 2021, without penalty.

The following table presents information about the amount, timing and uncertainty of cash flows arising from the Company's operating leases as of December 31, 2021.

(in thousands)

Maturity of Operating Lease Liabilities		**Amount**
2022	$	183
Total undiscounted operating leases payments	$	183
Less: Imputed interest		(9)
Present Value of Operating Lease Liabilities	**$**	**174**
Other Information		
Weighted-average remaining lease term		0.7 years
Weighted-average discount rate		5.0%

An initial Right of Use ("ROU") asset of approximately $805 thousand was recognized as a non-cash assets addition with the adoption of the new lease accounting standard. The value of the ROU assets was reduced by approximately $907 thousand, including approximately $655 thousand related to the early termination of our subsidiary's lease, and $324 thousand during the years ended December 31, 2021 and 2020, respectively. Cash paid for amounts included in the present value of operating lease liabilities was approximately $331 thousand and $359 thousand for the years ended December 31, 2021 and 2020, respectively, and is included in cash flows from operating activities in the accompanying consolidated statement of cash flows. Operating lease costs were approximately $335 thousand and $373 thousand for the years ended December 31, 2021 and 2020, respectively.

MANUFACTURING AGREEMENT

In 2010, the Company entered into a three-year contract manufacturing agreement with an unrelated third party for the production and manufacture of the SRT-100 (and subsequently the SRT-100 Vision and the SRT-100 Plus), in accordance with the Company's product specifications. The agreement renews for successive one-year periods unless either party notifies the other party in writing, at least 60 days prior to the anniversary date of the agreement, that it will not renew the agreement. The Company or the manufacturer may terminate the agreement upon 90 days' prior written notice.

Purchases from this manufacturer totaled approximately $5.9 and $2.5 million for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, approximately $1.2 million and $697 thousand, respectively, was due to this manufacturer, which is presented in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

LEGAL CONTINGENCIES

The Company is party to certain legal proceedings in the ordinary course of business. The Company assesses, in conjunction with its legal counsel, the need to record a liability for litigation and related contingencies.

In 2015, the Company learned that the Department of Justice (the "Department") had commenced an investigation of the billing to Medicare by a physician who had treated patients with the Company's SRT-100. The Company has received two Civil Investigative Demands from the Department seeking documents and written responses in connection with that investigation. The Company has fully cooperated with the investigation. The Department has advised the Company that it was considering expanding the investigation to determine whether the Company had any involvement in the physician's use of certain reimbursement codes. The Company disputes that it has engaged in any wrongdoing with respect to such reimbursement claims; among other things, the Company does not submit claims for reimbursement or provide coding or billing advice to physicians. To the Company's knowledge, the Department has made no determination as to whether the Company engaged in any wrongdoing, or whether to pursue any legal action against the Company. Should the Department decide to pursue legal action, the Company believes it has strong and meritorious defenses and will vigorously defend itself. At this time, the Company is unable to estimate the cost associated with this matter.

NOTE 8 — EMPLOYEE BENEFIT PLANS

The Company sponsors a 401(k) defined contribution retirement plan that allows eligible employees to contribute a portion of their compensation, as defined by the plan and subject to Internal Revenue Code limitations. The Company makes contributions to the plan which include matching a percentage of the employees' contributions up to certain limits. Expenses related to this plan totaled approximately $98 thousand and $125 thousand for the years ended December 31, 2021 and 2020, respectively.

NOTE 9 — STOCKHOLDERS'EQUITY

The Company has authorized 50,000,000 shares of common stock, of which 16,694,311 were issued and 16,617,274 were outstanding at December 31, 2021; 16,564,311 shares were issued and 16,491,103 were outstanding as of December 31, 2020.

WARRANTS

In 2016, investors in the Company's initial public offering (the "IPO"), received three-year warrants to purchase 2,300,000 shares of common stock at an exercise price of $6.75 per share; the warrants were exercisable through June 8, 2019. In 2019, the Company entered into an amendment to the Warrant Agreement to extend the expiration date of the investor warrants from June 8, 2019 until June 8, 2020.

In addition, the underwriters of the IPO received four-year warrants to purchase up to 138,000 units, consisting of one share of common stock and one warrant to purchase one share of common stock. The warrants, with an exercise price of $6.75 per unit, expired on June 2, 2021.

The following table summarizes the Company's warrant activity:

	Warrants		
	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In Years)
Outstanding – December 31, 2019	2,032,187	$ 6.75	0.51
Granted	—	—	—
Exercised	(83)	—	—
Expired	(1,894,104)	—	—
Outstanding – December 31, 2020	138,000	$ 6.75	0.44
Exercisable – December 31, 2020	138,000	$ 6.75	0.44
Granted	—	—	—
Exercised	—	—	—
Expired	(138,000)	6.75	—
Outstanding – December 31, 2021	—	$ —	—
Exercisable – December 31, 2021	—	$ —	—

2016 AND 2017 EQUITY INCENTIVE PLANS

The Company has limited the aggregate number of shares of common stock to be awarded under the 2016 Equity Incentive Plan to 397,473 shares. The Company has limited the aggregate number of shares of common stock to be awarded under the 2017 Equity Incentive Plan to 500,000 shares. In addition, unless the Compensation Committee specifically determines otherwise, the maximum number of shares available under the 2016 and 2017 Plans and the awards granted under those plans will be subject to appropriate adjustment in the case of any stock dividends, stock splits, recapitalizations, reorganizations, mergers, consolidations, exchanges or other changes in capitalization affecting our common stock.

On February 1, 2020, a total of 35,000 shares of restricted stock were issued to employees and were recorded at the fair value of $4.11 per share. The restricted shares vest 25% per year over a four-year vesting period and are being recognized as expense on a straight-line basis over the vesting period of the awards.

On July 21, 2021, a total of 130,000 shares of restricted stock were issued to employees and board members and were recorded at the fair value of $3.84 per share. The restricted shares vest 25% at grant date and 25% per year over a three-year vesting period and are being recognized as expense on a straight-line basis over the vesting period of the awards.

Restricted stock activity for the years ended December 31, 2021 and 2020 is summarized below:

Outstanding at	Restricted Stock	Weighted-Average Grant Date Fair Value
December 31, 2019	80,417	$ 5.70
Granted	35,000	4.11
Vested	(66,667)	5.24
Forfeited	(11,250)	8.58
December 31, 2020	37,500	$ 4.17
Granted	130,000	3.84
Vested	(43,750)	3.96
Forfeited	-	-
December 31, 2021	123,750	$ 3.90

The Company recognizes forfeitures as they occur. The reduction of stock compensation expense related to the forfeitures was $0 for the years ended December 31, 2021 and 2020, respectively.

Unrecognized stock compensation expense was approximately $403 thousand as of December 31, 2021, which will be recognized over a weighted-average period of 2.26 years. The stock compensation expense was approximately $415 thousand and $386 thousand, for the years ended December 30, 2021 and 2020.

The following table summarizes the Company's stock option activity:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In Years)
Outstanding – December 31, 2019	229,334	$ 5.55	8.07
Granted	—	—	—
Exercised	—	—	—
Expired	—	—	—
Outstanding – December 31, 2020	229,334	$ 5.55	7.07
Exercisable – December 31, 2020	229,334	5.55	7.07
Granted	—	—	—
Exercised	—	—	—
Expired	—	—	—
Outstanding – December 31, 2021	229,334	$ 5.55	6.07
Exercisable – December 31, 2021	229,334	5.55	6.07

The stock options had an intrinsic value of $382 thousand and $0 as of December 31, 2021 and December 31, 2020, respectively.

Treasury Stock

The Company accounts for purchases of treasury stock under the cost method with the cost of such share purchases reflected in treasury stock in the accompanying consolidated balance sheet. As of December 31, 2021 and 2020, the Company had 77,037 and 73,208 treasury shares, respectively.

Note 10 — Income Taxes

The income tax provision (benefit) consisted of the following:

(in thousands)	For The Years Ended December 31,	
	2021	2020
Current – federal	-	-
Current – state	-	-
Deferred – federal	(854)	(1,279)
Deferred – international	(236)	(199)
Deferred – international	(15)	(61)
	(1,105)	(1,539)
Change in valuation allowance	1,105	1,539
Income tax provision (benefit)	$ -	$ -

For the years ended December 31, 2021 and December 31, 2020, the expected tax expense (benefit) based on the statutory rate is reconciled with the actual tax expense (benefit) as follows:

	For The Years Ended December 31,	
	2021	2020
U.S. federal statutory rate	21.0%	(21.0)%
State taxes, net of federal benefit	4.9%	(5.8)%
Foreign rate differential	0.0%	(0.1)%
Permanent differences	0.1%	(1.9)%
Change in tax rates	0.9%	0.3%
Return-to-provision adjustments	(0.1)%	0.6%
Tax credits	0.0%	5.2%
Other	-	-%
Change in valuation allowance	(26.8)%	22.5%
Income tax provision (benefit)	0.0%	0.0%

As of December 31, 2021 and December 31, 2020, the Company's net deferred tax asset consisted of the effects of temporary differences attributable to the following:

(in thousands)	December 31,	
	2021	2020
Net operating losses	$ 2,336	$ 3,683
Stock-based compensation	274	190
Depreciation and amortization	(110)	(236)
Accrued expenses and reserves	240	106
Prepaid expenses	(11)	(23)
Customer deposits	183	216
Tax credit	750	824
Charitable Contributions	26	37
Lease Accounting	2	(2)
Other, net	2	2

Deferred tax asset, net	3,692	4,797
Valuation allowance	(3,692)	(4,797)
Deferred tax asset, net of valuation allowance	-	-

The Company has federal tax net operating loss carryforwards of approximately $8.1 million as of December 31, 2021 and state net operating loss carryforwards (each, an "NOL") spread across various jurisdictions with a combined total of approximately $8.9 million as of December 31, 2021. The federal NOL generated prior to 2018 of $3.2 million was fully utilized in 2021. The federal NOL generated after December 31, 2018 will never expire but can only reduce 80% of taxable income in future years. Additionally, the Company also has tax credit carryforwards of approximately $750 thousand as of December 31, 2021. These credit carryforwards, if not used in future periods, will begin to expire in 2029.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the future generation of taxable income during the periods in which those temporary differences become deductible. The Company has historically been in a loss position. However, it is in a taxable income position for federal and state tax purposes in 2021. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, past three years of cumulative financial taxable income, and taxing strategies in making this assessment. Based on this assessment, management has maintained the position of establishing a full valuation allowance against all of the net deferred tax assets for each period, since it is more likely than not that all of the deferred tax assets will not be realized as of the balance sheet date. The valuation allowance for the years ended December 31, 2021 decreased by approximately $1.1 million compared to the valuation allowance increase of $1.5 million from 2019 to 2020.

Management has evaluated and concluded that there were no material uncertain tax positions requiring recognition in the Company's consolidated financial statements as of December 31, 2021 and 2020. The Company does not expect any significant changes in its unrecognized tax benefits within 12 months of the reporting date. The Company has U.S. federal and certain state tax returns subject to examination by tax authorities beginning with those filed for the year ended December 31, 2015. The Company's policy is to classify assessments, if any, for tax related interest as interest expense and penalties as general and administrative expenses in the consolidated statements of operations.

On March 27, 2020, the United States enacted the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The Cares Act is an emergency economic stimulus package that includes spending and tax breaks to strengthen the United States economy and fund a nationwide effort to curtail the effects of COVID-19. As a result of the CARES Act, the Company obtained a loan through the Paycheck Protection Program ("PPP"). A portion of the PPP loan and related interest is forgiven to the extent the loan is spent on eligible expenses and other criteria are met. During the year ended December 31, 2020, $757,782 in principal amount of this loan was forgiven which resulted in income that was not recognized for tax purposes. The balance of the PPP Loan was reduced in 2021 due to payments made towards the loan. The Company has not recorded any subsequent income or expenses related to this loan.

NOTE 11 — SUBSEQUENT EVENTS

The Company has evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the financial statements were issued for potential recognition or disclosure and has determined that there has been an event that would require adjustments to our disclosures in the consolidated financial statements, as follows:

On February 25, 2022, the Company sold the assets comprising its Scupltura product, with a net book value of approximately $1.6 million, pursuant to an Asset Purchase Agreement between the Company and Empyrean Medical Systems, Inc. The Buyer paid a purchase price of $15 million in cash. Additional information regarding this transaction can be found in the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 3, 2022.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no disagreements on accounting and financial disclosure matters.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Control and Procedures

As of December 31, 2021, the end of the period covered by this Annual Report on Form 10-K, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e)) under the Securities Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer each concluded that as of December 31, 2021, the end of the period covered by this Annual Report on Form 10-K, we maintained effective disclosure controls and procedures.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. We have performed an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our internal control over financial reporting. Our management used the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission to perform this evaluation. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our internal control over financial reporting was effective as of December 31, 2021.

As a smaller reporting company, our independent registered accounting firm is not required to issue an attestation report on our internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the fourth quarter of the fiscal year ending December 31, 2021 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Item 9B. OTHER INFORMATION

The Company is furnishing no other information in this Form 10-K.

Item 9C. DISCLOSURES REGARDING FOREIGN JURISDICTION THAT PREVENT INSPECTIONS

Not applicable.

PART III.

Item 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information required by this item will be set forth in the Proxy Statement for our 2022 Annual Meeting and is incorporated into this report by reference.

Item 11. EXECUTIVE COMPENSATION

The information required by this item will be set forth in the Proxy Statement for our 2022 Annual Meeting and is incorporated into this report by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The Company's 2016 and 2017 Equity Incentive Plans were each approved by our stockholders. The following table provides certain information regarding the Company's equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (c)
Equity Compensation Plans Approved by Securities Holders	229,334	$ 5.55	135,973
Equity Compensation Plans Not Approved by Securities Holders	—	—	—
Total	229,334	$ 5.55	135,973

The other information required by this item will be set forth in the Proxy Statement for our 2022 Annual Meeting and is incorporated into this report by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item will be set forth in the Proxy Statement for our 2022 Annual Meeting and is incorporated into this report by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item will be set forth in the Proxy Statement for our 2022 Annual Meeting and is incorporated into this report by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as a part of this report

1. Financial Statements

   The Company's consolidated financial statements included beginning on page F-1.

2. Financial Statement Schedules

   Financial statement schedules have been omitted because they are not applicable, not required or the information required is included in the Company's consolidated financial statements or note thereto.

3. Exhibits Required to be Filed by Item 601 of Regulation S-K

   The Exhibit Index beginning on page 29 of this Annual Report on Form 10-K is incorporated by reference to this Item 15.

Item 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of December 12, 2011, by and between Sensus Healthcare, LLC and Sensus Healthcare, LLC – incorporated by reference to Exhibit 2.1 of the Company's Registration Statement on Form S-1 (filed 2/10/16)(No. 333-209451).
2.2	Plan of Conversion of Sensus Healthcare, LLC – incorporated by reference to Exhibit 2.2 of the Company's Registration Statement on Form S-1 (filed 2/10/16)(No. 333-209451).
2.3	Asset Purchase Agreement between Sensus Healthcare, Inc. and Empyrean Medical Systems, Inc., dated as of February 25, 2022

3.1	Amended and Restated Certificate of Incorporation of Sensus Healthcare, Inc. – incorporated by reference to Exhibit 3.1 to the Company's Amendment No. 2 to Registration Statement on Form S-1 (filed 3/25/16)(No. 333-209451).
3.2	Bylaws of Sensus Healthcare, Inc. – incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form S-1 (filed 2/10/16) (No. 333-209451).
4.1	Form of Representatives' Warrant to Purchase Units– incorporated by reference to Exhibit 4.7 of the Company's Amendment No. 4 to Registration Statement on Form S-1 (filed 5/19/16) (No. 333-209451).
4. 2*	Description of Company's Common Stock – incorporated by reference to Exhibit 4.4 of the Company's Annual Report on Form 10-K (filed 3/6/20) (No.001-37714).
10.1	Second Amendment and Restated Loan and Security Agreement by and between Sensus Healthcare, Inc. and Silicon Valley Bank, dated September 21, 2016 – incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (filed 11/7/16)(No. 001-37714).

10.2	Office Lease Agreement, dated as of July 26, 2010, by and between Rexall Sundown, Inc. and Sensus Healthcare, LLC – incorporated by reference to Exhibit 10.6 of the Company's Registration Statement on Form S-1 (filed 2/10/16)(No. 333-209451).
10.3	Amendment to Lease, dated as of January 27, 2014, by and between Rexall Sundown, Inc. and Sensus Healthcare, LLC– incorporated by reference to Exhibit 10.7 of the Company's Registration Statement on Form S-1 (filed 2/10/16)(No. 333-209451).
10.4	Commercial Lease, dated as of July 7, 2016, by and between BREF 851, LLC and Sensus Healthcare, Inc. – incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q (filed 11/7/16)(No. 001-37714).
10.5+	Sensus Healthcare, Inc. 2016 Equity Incentive Plan – incorporated by reference to Exhibit 10.14 of the Company's Amendment No. 1 to Registration Statement on Form S-1 (filed 3/10/16)(No. 333-209451).
10.6+	Form of Non-Qualified Option Grant Agreement – incorporated by reference to Exhibit 10.8 of the Company's Registration Statement on Form S-1 (filed 2/10/16)(No. 333-209451).
10.7+	Employment Agreement between Sensus Healthcare, Inc. and Joseph C. Sardano – incorporated by reference to Exhibit 10.10 of the Company's Registration Statement on Form S-1 (filed 2/10/16)(No. 333-209451).
10.8*#	Manufacturing Agreement, dated as of July 20, 2010, by and between RbM Services, LLC and Sensus Healthcare, LLC.
10.9	Sensus Healthcare, Inc. 2017 Equity Incentive Plan – incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (filed 6/9/17)(No. 001-37714).
10.10	Default Waiver and First Amendment to Second Amended and Restated Loan and Security Agreement by and between Silicon Valley Bank and Sensus Healthcare, Inc., dated June 27, 2017 – incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (filed 8/4/17)(No. 001-37714).
10.11*#	Second Amendment to Second Amended and Restated Loan and Security Agreement by and between Silicon Valley Bank and Sensus Healthcare, Inc., dated September 15, 2017.
10.12*#	Third Amendment to Second Amended and Restated Loan and Security Agreement by and between Silicon Valley Bank and Sensus Healthcare, Inc., dated October 31, 2017.
10.13+	Form of Restricted Stock Award Agreement incorporated by reference to Exhibit 10.2 of the Company's Registration Statement on Form S-8 (filed 11/6/17)(No. 333-221372).
10.14+	Employment Agreement between Sensus Healthcare, Inc. and Michael Sardano – incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (filed 5/8/18) (No. 333-209451).
10.15	Fourth Amendment to Second Amended and Restated Loan and Security Agreement by and between Silicon Valley Bank and Sensus Healthcare, Inc. and, dated October 28, 2019 – incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (filed 11/8/19)(No. 001-37714).
10.16*	Fifth Amendment to Second Amended and Restated Loan and Security Agreement by and between Silicon Valley Bank and Sensus Healthcare, Inc. and, dated January 31, 2020

10.17	Sixth Amendment to Second Amended and Restated Loan and Security Agreement by and between Silicon Valley Bank and Sensus Healthcare Inc., dated April 13, 2020 – incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (filed 5/11/20)(No.333-209451).
14.1	Sensus Healthcare, Inc. Code of Ethics – incorporated by reference to Exhibit 14.1 of the of the Company's Amendment No. 1 to Registration Statement on Form S-1 (filed 3/10/16)(No. 333-209451).
23.1*	Consent of Marcum LLP, Independent Registered Public Accounting Firm
31.1*	Certification of Joseph C. Sardano, Chairman and Chief Executive Officer of Sensus Healthcare, Inc., Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2*	Certification of Javier Rampolla, Chief Financial Officer of Sensus Healthcare, Inc., Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32.1*	Certification of Joseph C. Sardano, Chairman and Chief Executive Officer of Sensus Healthcare, Inc., Pursuant to 18 U.S.C. Section 1350.

32.2*	Certification of Javier Rampolla, Chief Financial Officer of Sensus Healthcare, Inc., Pursuant to 18 U.S.C. Section 1350.
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104.*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

+ Indicates a management contract or compensatory plan.

Portions of exhibit have been omitted.

* Filed electronically herewith.

Instruments defining the rights of holders of unregistered long-term debt of the issuer and its subsidiaries have been omitted from this exhibit index because the amount of debt authorized under any such instrument does not exceed 10% of the total assets of the issuer and its consolidated subsidiaries. The issuer agrees to furnish a copy of any such instrument to the Commission upon request.

SIGNATURES

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

SENSUS HEALTHCARE, INC.

Date: March 25, 2022

/s/ Joseph C. Sardano
Joseph C. Sardano
Chief Executive Officer
(Principal Executive Officer)

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

Name	Title	Date
/s/ Joseph Sardano **Joseph Sardano**	Chief Executive Officer and Chairman (Principal Executive Officer)	March 25, 2022
/s/ Javier Rampolla **Javier Rampolla**	Chief Financial Officer (Principal Financial and Accounting Officer)	March 25, 2022
/s/ Megan Cornish **Megan Cornish**	Director	March 25, 2022
/s/ John Heinrich **John Heinrich**	Director	March 25, 2022
/s/ William H. McCall **William H. McCall**	Director	March 25, 2022
/s/ Samuel O'Rear **Samuel O'Rear**	Director	March 25, 2022
/s/ Anthony B. Petrelli **Anthony B. Petrelli**	Director	March 25, 2022

EX-2.3 2 f10k2021ex2-3_sensushealth.htm ASSET PURCHASE AGREEMENT BETWEEN SENSUS HEALTHCARE, INC. AND EMPYREAN MEDICAL SYSTEMS, INC., DATED AS OF FEBRUARY 25, 2022

Exhibit 2.3

EXECUTION DOCUMENT

ASSET PURCHASE AGREEMENT

Between

SENSUS HEALTHCARE, INC.

And

EMPYREAN MEDICAL SYSTEMS, INC.

dated as of

February 25, 2022

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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "**Agreement**"), dated as of February 25, 2022, is entered into between SENSUS HEALTHCARE, INC., a Delaware corporation ("**Seller**") and EMPYREAN MEDICAL SYSTEMS, INC. a Delaware corporation ("**Buyer**").

RECITALS

WHEREAS, Seller owns various intellectual property, tangible, and intangible assets comprising the "Sculptura" line of business (the "**Sculptura Business**"); and

WHEREAS, Seller wishes to sell and assign to Buyer, and Buyer wishes to purchase and assume from Seller, the rights and obligations of Seller to the Sculptura Assets (as defined below) and the Assumed Liabilities (as defined below), subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

PURCHASE AND SALE

Section 1.01 Purchase and Sale of Assets. Subject to the terms and conditions set forth herein, Seller shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase from Seller, all of Seller's right, title and interest in those assets (collectively, the "**Sculptura Assets**") set forth in Section 1.01 of the disclosure schedules (the "**Disclosure Schedules**") attached hereto, free and clear of any mortgage, pledge, lien, charge, security interest, claim or other encumbrance ("**Encumbrance**"), except as set forth in Section 3.03 of the Disclosure Schedules. For the avoidance of doubt, Transferred Permits included in the Sculptura Assets are being transferred only to the extent assignable.

Section 1.02 Assumption of Liabilities. Subject to the terms and conditions set forth herein, Buyer shall assume and agree to pay, perform and discharge the liabilities and obligations set forth on Section 1.02 of the Disclosure Schedules arising after the Closing (as defined below) under the Sculptura Assets, but only to the extent that such liabilities and obligations do not relate to any breach, default or violation by Seller on or prior to the Closing (collectively, the "**Assumed Liabilities**"). Notwithstanding the foregoing, Buyer assumes and agrees to pay, perform and discharge the liabilities and obligations whenever arising under Seller's agreements with Stanford Health Care and Stanford University (listed as items 1, 2, 3 and 4 in Section 3.06 of the Disclosure Schedules), including any warranty obligations or claims whether the Service and Warranty Contract has been executed, or arising from Seller's relationship with Stanford Health Care and Stanford University, all of which shall be Assumed Liabilities. Other than the Assumed Liabilities, Buyer shall not assume any liabilities or obligations of Seller of any kind, whether known or unknown, contingent, matured or otherwise, whether currently existing or hereinafter created (each, an "**Excluded Liability**").

Section 1.03 Purchase Price. The aggregate purchase price for the Purchased Assets shall be $15,000,000.00 (the "**Purchase Price**"). The Buyer shall pay the Purchase Price to Seller at the Closing in cash, by wire transfer of immediately available funds in accordance with the wire transfer instructions provided by Seller to Buyer prior to Closing. The Closing shall occur no later than February 25, 2022.

Section 1.04 Allocation of Purchase Price. Seller and Buyer agree to allocate the Purchase Price among the Purchased Assets for all purposes (including tax and financial accounting) in accordance with the allocation statement agreed by the parties and attached as Exhibit A. Buyer and Seller shall file all tax returns (including amended returns and claims for refund) and information reports (including Form 8594) in a manner consistent with such allocation.

Section 1.05 Withholding Tax. Buyer shall be entitled to deduct and withhold from the Purchase Price all taxes that Buyer may be required to deduct and withhold under any applicable tax law. All such withheld amounts shall be treated as delivered to Seller hereunder.

ARTICLE II

CLOSING

Section 2.01 Closing. The closing of the transactions contemplated by this Agreement (the "**Closing**") shall take place simultaneously with the execution of this Agreement on the date of this Agreement (the "**Closing Date**") at the offices of Shutts & Bowen LLP, 525 Okeechobee Blvd., Suite 1100, West Palm Beach, FL 33405, or remotely by exchange of documents and signatures (or their electronic counterparts). The consummation of the transactions contemplated by this Agreement shall be deemed to occur at 12:01 a.m. on the Closing Date.

Section 2.02 Closing Deliverables.

(a) At the Closing, Seller shall deliver to Buyer the following:

(i) a bill of sale in form and substance satisfactory to the parties (the "**Bill of Sale**") and duly executed by Seller, transferring the Sculptura Assets to Buyer;

(ii) an assignment and assumption agreement in form and substance satisfactory to the parties (the "**Assignment and Assumption Agreement**") and duly executed by Seller, effecting the assignment to and assumption by Buyer of the Sculptura Assets and the Assumed Liabilities;

(iii) one or more assignments in form and substance satisfactory to the parties (the "**Intellectual Property Assignments**") and duly executed by Seller, transferring all of Seller's right, title and interest in and to the trademark registrations and applications, patents and patent applications, copyright registrations and applications, and domain name registrations included in the Intellectual Property Assets (as defined below) to Buyer;

(iv) copies of all consents, approvals, waivers and authorizations referred to in Section 3.02 of the Disclosure Schedules, except for (i) the consents to transfer the 510K permits for which Buyer will apply, at its expense, post-Closing, (ii) any consent, approval, waiver or authorization in connection with the termination right set forth in the Development Agreement, dated May 18, 2021, between Orimtech LTD. and Sensus Healthcare, Inc., and (iii) any consent, approval, waiver or authorization in connection with the Master Goods and Services Agreement, effective August 28, 2020, between Stanford Health Care and Sensus Healthcare, Inc.;

(v) a certificate pursuant to Treasury Regulations Section 1.1445-2(b) that Seller is not a foreign person within the meaning of Section 1445 of the Internal Revenue Code duly executed by Seller or, at the option of Seller, a Form W-9;

(vi) a consent agreement with Silicon Valley Bank consenting to the transactions contemplated by this Agreement, in form and substance reasonably satisfactory to the parties;

(vii) a notice of conversion acceptable to the parties to this Agreement with respect to certain Intellectual Property Registrations;

(viii) a certificate of an officer of Seller certifying as to (A) the resolutions of the board of directors of Seller, duly adopted and in effect, which authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby; and (B) the names and signatures of the officers of Seller authorized to sign this Agreement and the documents to be delivered hereunder; and

(ix) such other customary instruments of transfer, assumption, filings or documents, in form and substance reasonably satisfactory to Buyer, as may be required to give effect to this Agreement.

(b) At the Closing, Buyer shall deliver to Seller the following:

(i) the Purchase Price by wire transfer of immediately available funds to an account designated in writing by Seller to Buyer on the Closing Date;

(ii) the Assignment and Assumption Agreement duly executed by Buyer;

(iii) to the extent required for a particular jurisdiction, Intellectual Property Assignments;

(iv) a certificate of an officer of Buyer certifying as to (A) the resolutions of the board of directors of Buyer, duly adopted and in effect, which authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby; and (B) the names and signatures of the officers of Buyer authorized to sign this Agreement and the documents to be delivered hereunder.

(v) such other customary instruments of transfer, assumption, filings or documents, in form and substance reasonably satisfactory to the parties, as may be deemed necessary by the parties to give effect to this Agreement.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer that the statements contained in this ARTICLE III are true and correct as of the date hereof. For purposes of this ARTICLE III, "Seller's knowledge," "knowledge of Seller" and any similar phrases shall mean the actual knowledge of any officer of Seller, Nick Soro and Yonatan Vainer after due inquiry.

Section 3.01 Organization and Authority of Seller; Enforceability. Seller is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware. Seller has full corporate power and authority to enter into this Agreement and the documents to be delivered hereunder, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance by Seller of this Agreement and the documents to be delivered hereunder and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of Seller. This Agreement and the documents to be delivered hereunder have been duly executed and delivered by Seller, and (assuming due authorization, execution and delivery by Buyer) this Agreement and the documents to be delivered hereunder constitute legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms.

Section 3.02 No Conflicts; Consents. Except as set forth in Section 3.02 of the Disclosure Schedules, the execution, delivery and performance by Seller of this Agreement and the documents to be delivered hereunder, and the consummation of the transactions contemplated hereby, do not and will not: (a) violate or conflict with the certificate of incorporation, by-laws or other organizational documents of Seller; (b) violate or conflict with any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Seller or the Sculptura Assets; (c) conflict with, or result in (with or without notice or lapse of time or both) any violation of, or default under, or give rise to a right of termination, acceleration or modification of any obligation or loss of any benefit under any contract or other instrument to which Seller is a party relating to the Sculptura Assets or to which any of the Sculptura Assets are subject; or (d) result in the creation or imposition of any Encumbrance on the Sculptura Assets. Except as set forth in Section 3.02 of the Disclosure Schedules, no consent, approval, waiver or authorization is required to be obtained by Seller from any person or entity (including any governmental authority) in connection with the execution, delivery and performance by Seller of this Agreement and the consummation of the transactions contemplated hereby.

Section 3.03 Title to Sculptura Assets. Except as set forth in Section 3.03 of the Disclosure Schedules, Seller owns and has good title to the Sculptura Assets, free and clear of Encumbrances.

Section 3.04 Condition of Assets. The tangible personal property included in the Sculptura Assets are in good condition and are adequate for the uses to which they are being put, and none of such tangible personal property are in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost.

Section 3.05 Intellectual Property.

(a) Certain Definitions. The following terms have the following definitions for the purpose of this Section 3.05 and this Agreement:

(i) "**Affiliate**" of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

(ii) "**Intellectual Property**" means any and all rights in, arising out of, or associated with any of the following in any jurisdiction throughout the world to the extent used or held for use in the conduct of the Sculptura Business: (a) issued patents and patent applications (whether provisional or non-provisional), including divisionals, continuations, continuations-in-part, substitutions, reissues, reexaminations, extensions, or restorations of any of the foregoing, and other governmental authority-issued indicia of invention ownership (including certificates of invention, petty patents, and patent utility models) ("**Patents**"); (b) trademarks, service marks, brands, certification marks, logos, trade dress, trade names, and other similar indicia of source or origin, together with the goodwill connected with the use of and symbolized by, and all registrations, applications for registration, and renewals of, any of the foregoing ("**Trademarks**"); (c) copyrights and works of authorship, whether or not copyrightable, and all registrations, applications for registration, and renewals of any of the foregoing ("**Copyrights**"); (d) internet domain names, and social media account or user names (including "handles"), whether or not Trademarks, all associated web addresses, URLs, websites and web pages, social media sites and pages, and all content and data thereon or relating thereto, whether or not Copyrights; (e) mask works, and all registrations, applications for registration, and renewals thereof; (f) industrial designs, and all Patents, registrations, applications for registration, and renewals thereof; (g) trade secrets, know-how, inventions (whether or not patentable), discoveries, improvements, technology, business and technical information, databases, data compilations and collections, tools, methods, processes, techniques, and other confidential and proprietary information and all rights therein ("**Trade Secrets**"); (h) computer programs, operating systems, applications, firmware and other code, including all source code, object code, application programming interfaces, data files, databases, protocols, specifications, and other documentation thereof ("**Software**"); (i) rights of publicity; and (j) all other intellectual or industrial property and proprietary rights.

(iii) "**Intellectual Property Agreements**" means licenses, sublicenses, consent to use agreements, settlements, coexistence agreements, covenants not to sue, waivers, releases, permissions and other contracts, as listed in the Disclosure Schedule, relating to any Intellectual Property that is used or held for use in the conduct of the Sculptura Business as conducted by Seller to which Seller is a party, beneficiary or otherwise bound.

(iv) "**Intellectual Property Assets**" means the Intellectual Property listed in the Disclosure Schedule that is owned by Seller and used or held for use in the conduct of the Sculptura Business as conducted by Seller, together with all (i) royalties, fees, income, payments, and other proceeds now or hereafter due or payable to Seller with respect to such Intellectual Property; and (ii) claims and causes of action with respect to such Intellectual Property, including all rights to and claims for damages, restitution, and injunctive and other legal or equitable relief for past, present, or future infringement, misappropriation, or other violation thereof.

(v) "**Intellectual Property Registrations**" means the Intellectual Property Assets listed in the Disclosure Schedule that are owned by Seller which are subject to any issuance, registration, or application by or with any governmental authority or authorized private registrar in any jurisdiction, including issued Patents, registered Trademarks, domain names and Copyrights, and pending applications for any of the foregoing.

(vi) "**Licensed Intellectual Property**" means the Intellectual Property listed in the Disclosure Schedule in which Seller holds any rights or interests granted by other Persons, including any of Seller's Affiliates, that is used or held for use in the conduct of the Sculptura Business as conducted by Seller.

(vii) "**Person**" means an individual, corporation, partnership, joint venture, limited liability company, governmental authority, unincorporated organization, trust, association or other entity.

(b) Section 3.05(b) of the Disclosure Schedules contains a correct, current and complete list of: (i) all Intellectual Property Registrations, specifying as to each, as applicable: the title, mark, or design; the jurisdiction by or in which it has been issued, registered or filed; the patent, registration or application serial number; the issue, registration or filing date; and the current status; (ii) all unregistered Trademarks included in the Intellectual Property Assets; (iii) all proprietary Software included in the Intellectual Property Assets; and (iv) all other Intellectual Property Assets known to Seller that are used in the conduct of the Sculptura Business as conducted by Seller.

(c) Section 3.05(c) of the Disclosure Schedules contains a correct, current and complete list of all Intellectual Property Agreements, specifying for each the date, title, and parties thereto, and separately identifying the Intellectual Property Agreements: (i) under which Seller is a licensor or otherwise grants to any Person any right or interest relating to any Intellectual Property Asset; and (ii) under which Seller is a licensee or otherwise granted any right or interest relating to the Intellectual Property of any Person. Seller has provided Buyer with true and complete copies (or in the case of any oral agreements, a complete and correct written description) of all such Intellectual Property Agreements, including all modifications, amendments and supplements thereto and waivers thereunder. Neither Seller nor any other party thereto is, or is alleged to be, in breach of or default under, or has provided or received any notice of breach of, default under, or intention to terminate (including by non-renewal), any Intellectual Property Agreement.

(d) Except as otherwise noted in Section 3.05(b) of the Disclosure Schedules regarding certain Intellectual Property Assets which may be jointly owned with Triple Ring Technologies, Inc., Seller is the sole and exclusive legal and beneficial, and with respect to the Intellectual Property Registrations, record, owner of all right, title and interest in and to the Intellectual Property Assets, and has the valid and enforceable right to use all other Intellectual Property used in or necessary for the conduct of the Sculptura Business as conducted by Seller, in each case, free and clear of Encumbrances. The Intellectual Property Assets and Licensed Intellectual Property are all of the Intellectual Property necessary to operate the Sculptura Business as conducted by Seller. Except as otherwise noted in Section 3.05(b) of the Disclosure Schedules regarding certain Intellectual Property Assets which may be jointly owned with Triple Ring Technologies, Inc., Seller has entered into binding, valid and enforceable written contracts with each current and former employee and independent contractor who is or was involved in or has contributed to the invention, creation, or development of any Intellectual Property during the course of employment or engagement with Seller whereby such employee or independent contractor (i) acknowledges Seller's exclusive ownership of all Intellectual Property Assets invented, created or developed by such employee or independent contractor within the scope of his or her employment or engagement with Seller; (ii) grants to Seller a present, irrevocable assignment of any ownership interest such employee or independent contractor may have in or to such Intellectual Property, to the extent such Intellectual Property does not constitute a "work made for hire" under applicable law; and (iii) irrevocably waives any right or interest, including any moral rights, regarding such Intellectual Property, to the extent permitted by applicable law. Except as otherwise noted in Section 3.05(b) of the Disclosure Schedules regarding certain Intellectual Property Assets which may be jointly owned with Triple Ring Technologies, Inc., all assignments and other instruments necessary to establish, record, and perfect Seller's ownership interest in the Intellectual Property Registrations have been validly executed, delivered, and filed with the relevant governmental authorities and authorized registrars.

(e) Except as set forth in Section 3.02, item 4 of the Disclosure Schedules, neither the execution, delivery, or performance of this Agreement, nor the consummation of the transactions contemplated hereunder, will result in the loss or impairment of or payment of any additional amounts with respect to, or require the consent of any other Person in respect of, the Buyer's right to own or use any Intellectual Property Assets or Licensed Intellectual Property in the conduct of the Sculptura Business as conducted by Seller. Immediately following the Closing, all Intellectual Property Assets will be owned or available for use by Buyer on substantially the same terms as they were owned or available for use by Seller immediately prior to the Closing.

(f) Seller has taken all reasonable and necessary steps to maintain and enforce the Intellectual Property Assets and Licensed Intellectual Property and to preserve the confidentiality of all Trade Secrets included in the Intellectual Property Assets, including by requiring all Persons having access thereto to execute binding, written non-disclosure agreements. All required filings and fees related to the Intellectual Property Registrations not intentionally abandoned have been timely submitted with and paid to the relevant governmental authorities and authorized registrars. Seller has provided Buyer with true and complete copies of all file histories, documents, certificates, office actions, correspondence, assignments, and other instruments relating to the Intellectual Property Registrations.

(g) To Seller's Knowledge, the conduct of the Sculptura Business as currently and formerly conducted, including the use of the Intellectual Property Assets and Licensed Intellectual Property in connection therewith, and the products, processes, and services of the Sculptura Business have not infringed, misappropriated, or otherwise violated the Intellectual Property or other rights of any Person. To Seller's Knowledge, no Person has infringed, misappropriated, or otherwise violated any Intellectual Property Assets or Licensed Intellectual Property.

(h) There is no litigation (including any opposition, cancellation, revocation, review, or other proceeding), whether settled, pending or threatened (including in the form of offers to obtain a license): (i) alleging any infringement, misappropriation, or other violation of the Intellectual Property of any Person by Seller in the conduct of the Sculptura Business; (ii) challenging the validity, enforceability, registrability, patentability, or ownership of any Intellectual Property Assets or Licensed Intellectual Property; or (iii) by Seller or any other Person alleging any infringement, misappropriation, or other violation by any Person of any Intellectual Property Assets. Seller is not aware of any facts or circumstances that could reasonably be expected to give rise to any such litigation. Seller is not subject to any outstanding or prospective governmental order (including any motion or petition therefor) that does or could reasonably be expected to restrict or impair the use of any Intellectual Property Assets or Licensed Intellectual Property.

(i) All social media accounts used by Seller in the conduct of the Sculptura Business are used in Seller's other businesses. Seller will not transfer any social media accounts.

(j) To Seller's Knowledge, Seller has complied with all applicable laws and all publicly posted policies, notices, and statements concerning the collection, use, processing, storage, transfer, and security of personal information in the conduct of the Sculptura Business. In the past five (5) years, Seller has not (i) experienced any actual, alleged, or suspected data breach or other security incident involving personal information in its possession or control or (ii) been subject to or received any written notice of any audit, investigation, complaint, or other proceeding by any governmental authority or other Person concerning the Sculptura Business' collection, use, processing, storage, transfer, or protection of personal information or actual, alleged, or suspected violation of any applicable law concerning privacy, data security, or data breach notification, in each case in connection with the conduct of the Sculptura Business, and to Seller's knowledge, there are no facts or circumstances that could reasonably be expected to give rise to any such matter.

Section 3.06 Assigned Contracts. Section 3.06 of the Disclosure Schedules includes each contract included in the Sculptura Assets and being assigned to and assumed by Buyer (the "**Assigned Contracts**"). Each Assigned Contract is valid and binding in accordance with its terms and is in full force and effect. None of Seller or, to Seller's knowledge, any other party thereto is in breach of or default under (or is alleged to be in breach of or default under), or has provided or received any notice of any intention to terminate, any Assigned Contract. To Seller's Knowledge, no event or circumstance has occurred that, with or without notice or lapse of time or both, would constitute an event of default under any Assigned Contract or result in a termination thereof or would cause or permit the acceleration or other changes of any right or obligation or the loss of benefit thereunder. Complete and correct copies of each Assigned Contract have been made available to Buyer. To Seller's Knowledge, there are no disputes pending or threatened under any Assigned Contract. The existing agreement or agreements between the Seller and the University of Pennsylvania (the "**UPenn Agreement**") has been terminated as of the date of this Agreement and will not be an Assigned Contract under this Agreement.

Section 3.07 Permits. Section 3.07 of the Disclosure Schedules lists all permits, licenses, franchises, approvals, authorizations, registrations, certificates, variances and similar rights obtained from governmental authorities included in the Sculptura Assets (the "**Transferred Permits**"). The Transferred Permits are valid and in full force and effect. All fees and charges with respect to such Transferred Permits as of the date hereof have been paid in full. No event has occurred that, with or without notice or lapse of time or both, would reasonably be expected to result in the revocation, suspension, lapse or limitation of any Transferred Permit.

Section 3.08 Product and Service Warranties. Each product manufactured, sold, leased or delivered and each service provided by the Seller with respect to the Sculptura Business has been in conformity with all applicable contractual commitments and all express and implied warranties. Except as set forth in Section 3.08 of the Disclosure Schedules, Seller has no material liability under applicable product or service warranties for goods or services previously sold or distributed by the Seller with respect to the Sculptura Business.

Section 3.09 Compliance With Laws. Seller has complied, and is now complying, in all material respects with all applicable federal, state and local laws and regulations applicable to ownership and use of the Sculptura Assets. Notwithstanding the foregoing, Seller makes no representation or warranty in this Section 3.09 with respect to laws relating to Intellectual Property. Seller's representations and warranties with respect to compliance with laws relating to Intellectual Property are made solely in Section 3.05.

Section 3.10 Legal Proceedings. There is no claim, action, suit, proceeding or governmental investigation ("**Action**") of any nature pending or, to Seller's knowledge, threatened against or by Seller (a) relating to or affecting the Sculptura Assets or the Assumed Liabilities; or (b) that challenges or seeks to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. No event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such Action.

Section 3.11 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Seller.

Section 3.12 PPP Loan. Seller incurred a loan in the principal amount of $1,022,785 under the Paycheck Protection Program. The principal amount of $757,782.03 and interest in the amount of $4,988.73 was forgiven on December 14, 2020. The remaining principal amount and interest was paid in full on February 23, 2022.

Section 3.13 No Other Representations or Warranties. SELLER DOES NOT MAKE ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, EXCEPT AS CONTAINED IN THIS ARTICLE III. THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS ARTICLE III ARE SELLER'S SOLE AND EXCLUSIVE REPRESENTATIONS OR WARRANTIES TO BUYER.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller that the statements contained in this ARTICLE IV are true and correct as of the date hereof. For purposes of this ARTICLE IV, "Buyer's knowledge," "knowledge of Buyer" and any similar phrases shall mean the actual knowledge of any director or officer of Buyer after due inquiry.

Section 4.01 Organization and Authority of Buyer; Enforceability. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware. Buyer has full corporate power and authority to enter into this Agreement and the documents to be delivered hereunder, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance by Buyer of this Agreement and the documents to be delivered hereunder and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of Buyer. This Agreement and the documents to be delivered hereunder have been duly executed and delivered by Buyer, and (assuming due authorization, execution and delivery by Seller) this Agreement and the documents to be delivered hereunder constitute legal, valid and binding obligations of Buyer enforceable against Buyer in accordance with their respective terms.

Section 4.02 No Conflicts; Consents. The execution, delivery and performance by Buyer of this Agreement and the documents to be delivered hereunder, and the consummation of the transactions contemplated hereby, do not and will not: (a) violate or conflict with the certificate of incorporation, by-laws or other organizational documents of Buyer; (b) violate or conflict with any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Buyer; or (c) conflict with, or result in (with or without notice or lapse of time or both) any violation of, or default under, or give rise to a right of termination, acceleration or modification of any obligation or loss of any benefit under any contract or other instrument to which Buyer is a party. No consent, approval, waiver or authorization is required to be obtained by Buyer from any person or entity (including any governmental authority) in connection with the execution, delivery and performance by Buyer of this Agreement and the consummation of the transactions contemplated hereby.

Section 4.03 Legal Proceedings. There is no Action of any nature pending or, to Buyer's knowledge, threatened against or by Buyer that challenges or seeks to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. No event has occurred, or circumstances exist that may give rise to, or serve as a basis for, any such Action.

Section 4.04 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Buyer.

Section 4.05 Independent Investigation. Buyer has conducted its own independent investigation, review and analysis of the business, results of operations, prospects, condition (financial or otherwise) or assets of the Sculptura Business. Buyer acknowledges and agrees that it has been provided adequate access to the personnel, properties, assets, premises, books and records, and other documents and data of the Sculptura Business for such purposes. Buyer acknowledges and agrees that: (a) in making its decision to enter into this Agreement and to consummate the transactions contemplated by this Agreement, Buyer has relied solely upon its own investigation and the express representations and warranties of Seller set forth in ARTICLE III (subject to the related portions of the Disclosure Schedules); and (b) neither Seller nor any person or entity has made any representation or warranty except as expressly set forth in ARTICLE III.

Section 4.06 No Other Representations or Warranties. BUYER DOES NOT MAKE ANY REPRESENTATIONS OR WARRANTIES TO SELLER, EXPRESS OR IMPLIED, EXCEPT AS CONTAINED IN THIS ARTICLE IV. THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS ARTICLE IV ARE BUYER'S SOLE AND EXCLUSIVE REPRESENTATIONS OR WARRANTIES TO SELLER.

ARTICLE V

COVENANTS

Section 5.01 Public Announcements. Unless otherwise required under applicable law (including any disclosure requirements under federal securities laws) or stock exchange requirements, neither party shall make any public announcements regarding this Agreement or the transactions contemplated hereby without the prior written consent of the other party (which consent shall not be unreasonably withheld or delayed).

Section 5.02 Transfer Taxes. Except as provided in Section 2.02 (a)(iv) with respect to 510K permits, all transfer, documentary, sales, use, stamp, registration, value added and other such taxes and fees (including any penalties and interest) incurred in connection with this Agreement and the documents to be delivered hereunder shall be borne and paid by Seller when due. Seller shall, at its own expense, timely file any tax return or other document with respect to such taxes or fees (and Buyer shall cooperate with respect thereto as necessary, provided that Buyer shall not be required to pay any fees or incur out of pocket expenses in connection with such cooperation).

Section 5.03 Further Assurances. Following the Closing, each of the parties hereto shall execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement and the documents to be delivered hereunder, including but not limited to any documents related to (a) the Intellectual Property Assets and Licensed Intellectual Property; and (b) any Sculptura Assets and, to the extent that the parties agree, assets that relate to the Sculptura Business that should have been listed as Sculptura Assets that were omitted from Section 1.01 of the Disclosure Schedules.

Section 5.04 Termination of Affiliate Employment Documentation; Releases. Kalman Fishman ("**Fishman**") is an Affiliate of Buyer who entered into that certain Employment Agreement with Seller as of February 8, 2016 (the "**Employment Agreement**") and that Separation Agreement and General Release dated on or around December 29, 2019 (the "**Separation Agreement**," and collectively with the Employment Agreement, the "**Affiliate Employment Documents**") in connection with the severance of Fishman's employment with Seller. Pursuant to the Affiliate Employment Documents, certain restrictive covenants were placed on Fishman, as more fully set forth in the Affiliate Employment Documents (collectively, the "**Restrictions**"). Seller acknowledges that the Restrictions, to the extent any of the Restrictions have not expired or arguably remain still in effect, could adversely impact Buyer's ability to fully utilize the Sculptura Assets subsequent to the Closing and damage the value to the Buyer, and Seller acknowledges further that Buyer would not enter into this Agreement in the event that the Restrictions were to remain in effect. Based upon the foregoing, Buyer and Seller agree that the Affiliate Employment Documents are hereby terminated effective as of the Closing and are no longer of any force or effect, along with any of the Restrictions that remained in effect immediately prior to such termination, and Buyer and Seller hereby agree to not bring any claim or lawsuit against each other or their Affiliates in connection with the Affiliate Employment Documents subsequent to the Closing.

Section 5.05 Covenants Not To Sue.

(a) Seller, for itself and its Affiliates, employees, managers, independent contractors, principals, agents, representatives, attorneys, associates, partners, joint venturers, assignees, appointees, heirs, and legal representatives, covenants not to file or cause, induce, authorize, or encourage to be filed, directly or indirectly, any lawsuits, complaints, claims, charges, grievances or causes of action, on their behalf or in any representative capacity, in any state or federal court, in any arbitration forum, or before any federal, state, or local administrative agency, board, or governing body against Buyer itself or its

Affiliates, employees, managers, independent contractors, principals, agents, representatives, attorneys, associates, partners, joint venturers, assignees, appointees, heirs, and legal representatives (including but not limited to Fishman) of any nature whatsoever, whether known or unknown, vested or contingent, accrued or unaccrued, currently existing or which may exist in the future, relating to events, occurrences or transactions that have already occurred or that have yet to occur, based upon and/or for any intellectual property, breach of contract, tort, intentional tort, breach of common law, statutory law or any governmental rule or regulation, damages, losses, expenses, costs, or equitable relief. Notwithstanding the foregoing, this covenant not to sue does not apply to claims concerning the enforcement of this Agreement or any document, instrument or agreement delivered in connection with this Agreement or with respect to any claims for infringement upon any intellectual property owned by Seller other than intellectual property included among the Sculptura Assets. Nothing in this Section shall, in and of itself, restrict Buyer from engaging in any particular business line or activity. In the event there is a breach of this covenant not to sue, direct, incidental and consequential damages will be recoverable, which may include but is not limited to, attorneys' fees, costs, lost revenue, loss profits, loss of business opportunity, loss of business productivity and diminution of value.

(b) Buyer, for itself and its Affiliates, employees, managers, independent contractors, principals, agents, representatives, attorneys, associates, partners, joint venturers, assignees, appointees, heirs, and legal representatives, covenants not to file or cause, induce, authorize, or encourage to be filed, directly or indirectly, any lawsuits, complaints, claims, charges, grievances or causes of action, on their behalf or in any representative capacity, in any state or federal court, in any arbitration forum, or before any federal, state, or local administrative agency, board, or governing body against Seller itself or its Affiliates, employees, managers, independent contractors, principals, agents, representatives, attorneys, associates, partners, joint venturers, assignees, appointees, heirs, and legal representatives of any nature whatsoever, whether known or unknown, vested or contingent, accrued or unaccrued, currently existing or which may exist in the future, relating to events, occurrences or transactions that have already occurred or that have yet to occur, based upon and/or for any intellectual property, breach of contract, tort, intentional tort, breach of common law, statutory law or any governmental rule or regulation, damages, losses, expenses, costs, or equitable relief. Notwithstanding the foregoing, this covenant not to sue does not apply to claims concerning the enforcement of this Agreement or any document, instrument or agreement delivered in connection with this Agreement or with respect to any claims for infringement upon any intellectual property of Buyer, including the intellectual property included among the Sculptura Assets. In the event there is a breach of this covenant not to sue, direct, incidental and consequential damages will be recoverable, which may include but is not limited to, attorneys' fees, costs, lost revenue, loss profits, loss of business opportunity, loss of business productivity and diminution of value.

Section 5.06 Non-Disparagement.

(a) Buyer agrees that it will not (and it will cause Fishman not to) (i) disparage or encourage or induce others to disparage Seller, which includes, but is not limited, to communications, posts, or publications of any kind that are derogatory about Seller or any of its current or past employees, directors, officers, owners or agents regardless of its believed truth, or (ii) engage in any conduct or induce any other Person to engage in any conduct that is in any way injurious to Seller's reputation or interests (including, without limitation, any negative or derogatory statements or writings or any false or misleading about Seller's future or its technology).

(b) Seller agrees that it will not (and it will cause Joseph Sardano and Michael Sardano not to) (i) disparage or encourage or induce others to disparage Buyer, which includes, but is not limited, to communications, posts, or publications of any kind that are derogatory about Buyer or any of Buyer's current or past employees, directors, officers, owners or agents regardless of its believed truth, or (ii) engage in any conduct or induce any other Person to engage in any conduct that is in any way injurious to Buyer's reputation or interests (including, without limitation, any negative or derogatory statements or writings or any false or misleading about Buyer's future or its technology).

Section 5.07 Employees of Seller. Buyer agrees that any current or former employee of Seller employed or engaged, directly or indirectly, by Buyer shall refrain from providing services to Buyer or any Affiliate of Buyer with respect to Superficial Radiotherapy Technology products (the **"SRT Products")** for a period of two years after such individual leaves the employ of Seller, but no more than three years after the date of this Agreement. By way of explanation and not of limitation, nothing in this Section or this Agreement shall prohibit Buyer from employing or engaging any current, former, or future employees of Seller or from accepting services from such employees with respect to the technology transferred to Buyer pursuant to this Agreement, Buyer's existing or future technologies, or any services other than with respect to the SRT Products.

Section 5.08 Pro Ration of Personal Property Taxes. Buyer and Seller shall each notify the other upon receipt of any bill for personal property taxes relating to the Sculptura Assets for the 2022 calendar year and shall promptly deliver such bill to the other. Buyer shall pay such taxes to the appropriate governmental authority prior to the payment due date; provided, that Seller shall promptly pay to Buyer the portion of such tax attributable to the pre-Closing tax period. The amount of tax attributable to the pre-Closing tax period shall be deemed to be the amount of such tax for the entire tax period multiplied by a fraction, the numerator of which is the number of days in such tax period ending on but not including the Closing Date, and the denominator of which is the total number of days in the entire tax period.

ARTICLE VI

INDEMNIFICATION

Section 6.01 Survival. The representations and warranties contained in this Agreement and all related rights to indemnification shall survive the Closing and shall expire on the 18-month anniversary of the Closing, except that the Fundamental Representations shall survive the Closing and shall expire on the expiration of the applicable statute of limitations. For the avoidance of doubt, the parties agree that the survival periods set forth in this Section 6.01 constitute contractual statute of limitations and any claim brought by a party pursuant to this ARTICLE VI must be brought or filed prior to the expiration of the applicable survival period with respect to the provision upon which such claim is based. For the purposes of this ARTICLE VI, the **"Fundamental Representations"** shall mean the representations and warranties contained in Sections 3.01 (Organization, Authority, Enforceability), 3.03 (Title), 3.05 (Intellectual Property), and 3.11 (Brokers) and 4.01 (Organization, Authority, Enforceability) and 4.04 (Brokers).

Section 6.02 Indemnification By Seller. Seller shall defend, indemnify and hold harmless Buyer, its affiliates and their respective stockholders, directors, officers and employees from and against all claims, judgments, damages, liabilities, settlements, losses, costs and expenses, including attorneys' fees and disbursements (collectively, "Losses"), arising from or relating to:

(a) any inaccuracy in or breach of any of the representations or warranties of Seller contained in this Agreement or any document to be delivered hereunder;

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Seller pursuant to this Agreement or any document to be delivered hereunder;

(c) the UPenn Agreement;

(d) the security interest in favor of the U.S. Small Business Administration filed August 11, 2020 with document number 20200404066X, as referenced in Section 3.03 of the Disclosure Schedules; or

(e) any Excluded Liability.

Section 6.03 Indemnification By Buyer. Buyer shall defend, indemnify and hold harmless Seller, its affiliates and their respective stockholders, directors, officers and employees from and against all Losses, arising from or relating to:

(a) any inaccuracy in or breach of any of the representations or warranties of Buyer contained in this Agreement or any document to be delivered hereunder;

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Buyer pursuant to this Agreement or any document to be delivered hereunder; or

(c) any Assumed Liability (which, for the avoidance of doubt, may arise only after the Closing which may not relate to any breach, default or violation by Seller on or prior to the Closing (provided that the foregoing limitation will not apply with respect to the Assumed Liabilities relating to Stanford Health Care or Stanford University)).

Section 6.04 Indemnification Procedures. Whenever any claim shall arise for indemnification hereunder, the party entitled to indemnification (the "**Indemnified Party**") shall promptly provide written notice of such claim to the other party (the "**Indemnifying Party**") specifying in reasonable detail the claim and the basis for indemnification; provided, however, that any delay or failure to notify an Indemnifying Party of any claim shall not relieve it from liability except to the extent that the defense of such action is actually prejudiced by such delay or failure to notify. In connection with any claim giving rise to indemnity hereunder resulting from or arising out of any Action by a person or entity who is not a party to this Agreement (a "**Third Party Claim**"), the Indemnifying Party, at its sole cost and expense and upon written notice to the Indemnified Party, may assume the defense of any such Action with counsel reasonably satisfactory to the Indemnified Party. The Indemnified Party shall be entitled to participate in the defense of any such Action, with its counsel and at its own cost and expense, subject to the control of such Action by the Indemnifying Party. If the Indemnifying Party does not assume the defense of any such Action, the Indemnified Party may, but shall not be obligated to, defend against such Action in such manner as it may deem appropriate, including, but not limited to, settling such Action, after giving notice of it to the Indemnifying Party, on such terms as the Indemnified Party may deem appropriate and no action taken by the Indemnified Party in accordance with such defense and settlement shall relieve the Indemnifying Party of its indemnification obligations herein provided with respect to any damages resulting therefrom. The Indemnifying Party shall not settle any Action without the Indemnified Party's prior written consent (which consent shall not be unreasonably withheld or delayed) unless the (i) judgment or settlement includes a complete and unconditional release of the Indemnified Party in respect of such claim, (ii) the relief is solely money damages that will be paid by the Indemnifying Party; and (iii) the settlement or judgment does not entail any admission of liability on the part of any Indemnified Party. The Indemnified Party shall not settle any Action for which the Indemnifying Party has assumed the defense. The Indemnifying Party and the Indemnified Party shall cooperate in good faith in the conduct of the defense of such claim or litigation by a third party, including by retaining records and information that are reasonably relevant to such third party claim or litigation and providing reasonable access to each other's relevant business records and other documents and employees.

Section 6.05 Other Indemnification Rules.

(a) No amounts shall be payable by the Seller under Section 6.02(a) unless and until the aggregate amount otherwise payable by the Seller under Section 6.02(a) exceeds $150,000 (the "**Basket Amount**"), in which event the Seller shall be liable for the aggregate amount of all Losses, regardless of the Basket Amount; *provided*, however, that the Basket Amount shall not apply to recovery for (i) any misrepresentation, inaccuracy in or breach of any Fundamental Representation, (ii) any claim relating to Fraud, or (iii) or any Losses relating to or arising from the UPenn Agreement. "**Fraud**" means, with respect to any Person, the intentional (and not constructive) fraud and willful breach of a representation or warranty of such Person effected by such Person making a representation or warranty contained in this Agreement (as modified by the Disclosure Schedules) with the actual (and not constructive) knowledge of such Person that the relevant statement was false when made (as opposed to the making of a representation and warranty negligently or without actual knowledge of its truthfulness) and which was made with the intention of inducing the Person to whom such statement was made (the "**Recipient**") to enter into or consummate the transactions contemplated by this Agreement and upon which Recipient has reasonably relied to its detriment. For the avoidance of doubt, "Fraud" excludes any claim for equitable fraud, promissory fraud, unfair dealings fraud, constructive fraud or any torts based on negligence.

(b) The aggregate amount payable by Seller pursuant to Section 6.02(a) shall not exceed $1,500,000 (the "**Cap**"); *provided*, however, that (i) with respect to recovery for any misrepresentation, inaccuracy in or breach of any Fundamental Representation, the Cap shall not apply and the Seller's maximum aggregate liability shall be limited to the Purchase Price, and (ii) the Cap shall not apply to recovery for (A) any claim relating to Fraud, or (B) any Losses relating to or arising from the UPenn Agreement.

(c) The aggregate amount payable by Seller pursuant to Article VI shall not exceed the Purchase Price; *provided*, however, that such limit shall not apply to recovery for any claim relating to Fraud or any Losses relating to or arising from the UPenn Agreement.

(d) The amount of Losses subject to indemnification shall be determined after taking into account the net proceeds actually received (less the costs incurred in recovering such proceeds, including the payment of any deductibles under applicable insurance policies) by an Indemnified Party under any insurance policy or other rights of indemnification or contribution with respect to the matter giving rise to such Losses ("**Proceeds**"). If any Proceeds are received by an Indemnified Party after an Indemnifying Party has made a payment to such Indemnified Party pursuant to this Article VI with respect to the matter giving rise to the payment of such Proceeds, then such Indemnified Party shall promptly pay to the Indemnifying Party the amount of the Proceeds. The Indemnified Party shall use commercially reasonable efforts to pursue recovery of Proceeds both before and following any indemnification payment under this Agreement. For the avoidance of doubt, commercially reasonable efforts shall include making a claim for insurance and reasonable follow up and negotiation with the insurer, but shall not require the Indemnified Party to threaten or institute litigation to enforce the claim. The Indemnified Party will give the Indemnifying Party prompt (but in no event more than five business days) notice of receipt of any Proceeds.

(e) Losses shall not include punitive damages except to the extent actually awarded pursuant to a Third Party Claim.

Section 6.06 Tax Treatment of Indemnification Payments. All indemnification payments made by Seller under this Agreement shall be treated by the parties as an adjustment to the Purchase Price for tax purposes, unless otherwise required by law.

Section 6.07 Exclusive Remedy. Subject to Section 7.14 below, the indemnification provided in this ARTICLE VI is the sole and exclusive remedy with respect to any and all claims for any breach (or alleged breach) of any representation, warranty, covenant, agreement or obligation set forth in this Agreement; *provided*, however, that, notwithstanding the foregoing, the liability of any party hereto under this ARTICLE VI will be in addition to, and not exclusive of, any other liability that such party may have at law or equity based on Fraud.

ARTICLE VII

MISCELLANEOUS

Section 7.01 Expenses. All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

Section 7.02 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by e-mail of a PDF document (with confirmation of transmission) if received during normal business hours of the recipient, and on the next business day if received after normal business hours of the recipient; or (d) on the fifth day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 7.02):

If to Seller:

Sensus Healthcare, Inc.
851 Broken Sound Pkwy NW, Suite 215
Boca Raton, FL 33487
E-mail: joe@sensushealthcare.com
Attention: Joe Sardano, Chairman and CEO

with a copy
(which shall not constitute notice) to:

Gunster, Yoakley & Stewart, P.A.
450 East Las Olas Boulevard
Suite 1400
Fort Lauderdale, Florida 33301
Attention: Robert B. Lamm, Esq.
Richard A. Heinle, Esq.
Email: rlamm@gunster.com
rheinle@gunster.com

If to Buyer:

Empyrean Medical Systems, Inc.
3010 N Military Tr., Suite 220
Boca Raton, FL 33431
E-mail:kal@empyreanmed.com
Attention: Kalman Fishman, President and CEO

with a copy
(which shall not constitute notice) to:

Shutts & Bowen LLP
525 Okeechobee Blvd., Suite 1100
West Palm Beach, FL 33401
E-mail: jbain@shutts.com and
rbagatell@shutts.com
Attention: Joseph Bain, Esq. and
Rikki Lober Bagatell, Esq.

Section 7.03 Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

Section 7.04 Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

Section 7.05 Entire Agreement. This Agreement and the documents to be delivered hereunder constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Agreement and the documents to be delivered hereunder, the Exhibits and Disclosure Schedules (other than an exception expressly set forth as such in the Disclosure Schedules), the statements in the body of this Agreement will control.

Section 7.06 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed. No assignment shall relieve the assigning party of any of its obligations hereunder.

Section 7.07 No Third-party Beneficiaries. Except as provided in ARTICLE VI, this Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 7.08 Amendment and Modification. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each party hereto.

Section 7.09 Waiver. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section 7.10 Drafting of Agreement. The parties acknowledge and agree that this is a negotiated document, and that in no event shall the provisions of this Agreement or any document, instrument or agreement delivered in connection with this Agreement be construed with a presumption for or against a party on the basis that such party, or its counsel, drafted such provisions.

Section 7.11 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Florida without giving effect to any choice or conflict of law provision or rule (whether of the State of Florida or any other jurisdiction).

Section 7.12 Submission to Jurisdiction. ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY MAY BE INSTITUTED IN THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA OR THE COURTS OF THE STATE OF FLORIDA IN EACH CASE LOCATED IN THE COUNTY OF PALM BEACH. EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING AND WAIVES ALL OBJECTIONS TO SUCH COURTS, INCLUDING INCONVENIENT FORUM.

Section 7.13 Waiver of Jury Trial. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 7.14 Specific Performance. The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

Section 7.15 Counterparts. This Agreement may be executed in one or more counterparts. Any such counterpart, to the extent delivered by means of a facsimile machine or by .pdf, .tif, .gif, .jpeg or similar attachment to an electronic mail message or any electronic signature complying with the federal Electronic Signatures in Global and National Commerce Act of 2000, Public Law 106-229, as amended (e.g., Adobe eSign or DocuSign) (any such delivery, an "**Electronic Delivery**"), shall be treated in all manner and respects as an original executed counterpart and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. The signatures of the parties delivered by means of Electronic Delivery shall be "electronic signatures" within the meaning of the Uniform Electronic Transaction Act (USA) and the Electronic Commerce Directive (EU) in all jurisdictions where the legislation has been adopted. No party shall raise the use of Electronic Delivery to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of Electronic Delivery as a defense to the formation of a contract, and each such party forever waives any such defense.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

SENSUS HEALTHCARE, INC.,
a Delaware corporation

By /s/ Joseph C. Sardano
Name: Joseph C. Sardano
Title: Chairman and Chief Executive Officer

EMPYREAN MEDICAL SYSTEMS, INC.,
a Delaware corporation

By /s/ Kalman Fishman
Name: Kalman Fishman
Title: President and CEO

EX-23.1 3 f10k2021ex23-1_sensushealth.htm CONSENT OF MARCUM LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Exhibit 23.1

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement of Sensus Healthcare, Inc. on Form S-3 of our report dated March 25, 2022, with respect to our audits of the consolidated financial statements of Sensus Healthcare, Inc. as of December 31, 2021 and 2020 and for the years ended December 31, 2021 and 2020, which report is included in this Annual Report on Form 10-K of Sensus Healthcare, Inc. for the year ended December 31, 2021.

/s/ Marcum LLP
Marcum LLP
Fort Lauderdale, FL
March 25, 2022

EX-31.1 4 f10k2021ex31-1_sensushealth.htm CERTIFICATION

Exhibit 31.1

Certification of CEO Pursuant to Securities Exchange Act
Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to

Section 302 of the Sarbanes-Oxley Act of 2002

I, Joseph C. Sardano, certify that:

1. I have reviewed this annual report on Form 10-K of Sensus Healthcare, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 25, 2022

/s/ Joseph C. Sardano
Joseph C. Sardano
Chairman and Chief Executive Officer

EX-31.2 5 f10k2021ex31-2_sensushealth.htm CERTIFICATION

Exhibit 31.2

Certification of CFO Pursuant to Securities Exchange Act
Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Javier Rampolla, certify that:

1. I have reviewed this annual report on Form 10-K of Sensus Healthcare, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 25, 2022

/s/ Javier Rampolla
Javier Rampolla
Chief Financial Officer

EX-32.1 6 f10k2021ex32-1_sensushealth.htm CERTIFICATION

Exhibit 32.1

Certification of CEO Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certificates that:

(1) this Annual Report for Sensus Healthcare, Inc. (the "Company") on Form 10-K for the period ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (this "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered therein.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Joseph C. Sardano
Joseph C. Sardano
Chairman and Chief Executive Officer

March 25, 2022

EX-32.2 7 f10k2021ex32-2_sensushealth.htm CERTIFICATION

Exhibit 32.2

Certification of CFO Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certificates that:

(1) this Annual Report for Sensus Healthcare, Inc. (the "Company") on Form 10-K for the period ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (this "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered therein.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Javier Rampolla
Javier Rampolla
Chief Financial Officer

March 25, 2022

MARCUM
ACCOUNTANTS ▲ ADVISORS

MARCUMGROUP
MEMBER

Marcum LLP 450 East Las Olas Boulevard 9th Floor Fort Lauderdale, Florida 33301 Phone 954.320.8000 Fax 954.320.8001 www.marcumllp.com