

Ability Inc.
Form SC 13D/A
August 22, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

(Amendment No. 1)*

Ability Inc.

(Name of Issuer)

Ordinary Shares, par value \$0.001 per share

(Title of Class of Securities)

G8789K124

(CUSIP Number)

Alexander Aurovsky

c/o Ability Inc.

Yad Harutzim 14

Tel Aviv, Israel, 6770007

972-3-6879777

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

August 16, 2018

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box.

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See §240.13d-7 for other parties to whom copies are to be sent.

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. G8789K124

NAMES OF REPORTING PERSONS.

1 I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Alexander Aurovsky

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2(a)

(b)

3 SEC USE ONLY

SOURCE OF FUNDS (SEE INSTRUCTIONS)

4

OO

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

CITIZENSHIP OR PLACE OF ORGANIZATION

6

Israel

NUMBER OF **SOLE VOTING POWER**

7

SHARES 832,500 shares

SHARED VOTING POWER

BENEFICIALLY **8**

0 shares

OWNED BY **SOLE DISPOSITIVE POWER**

9

EACH 832,500 shares

REPORTING

SHARED DISPOSITIVE POWER

PERSON

10

0 shares

WITH

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11

832,500 shares

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13

25.2%

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

14

IN

The following constitutes Amendment No. 1 (“Amendment No. 1”) to the Schedule 13D (the “Original Schedule 13D”) filed by the Reporting Person with the Securities and Exchange Commission (“SEC”) on December 31, 2015 with respect to its ownership of Ordinary Shares, par value \$0.001 per share (the “Ordinary Shares”) in Ability Inc., a Cayman Islands corporation (the “Company”). This Amendment No. 1 amends the Original Schedule 13D as specifically set forth herein.

On December 27, 2017, the Company effected a 1-for-10 consolidation of Ordinary Shares (the “Consolidation”) with a market effective date of March 23, 2018. The share amounts of Ordinary Shares specified in this Amendment No. 1 have been adjusted to give effect to the Consolidation.

Item 2. Identity and Background.

Item 2 of the Original Schedule 13D is hereby amended to add the following:

Except for the SEC investigation described below, the Reporting Person has not, during the last five years (i) been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors), or (ii) been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violations with respect to such laws.

SEC Investigation

As the Company disclosed in its Report on Form 6-K furnished with the SEC on February 16, 2017, the Company, received a subpoena from the SEC. The subpoena requested, among other things, information regarding the transaction with Cambridge Capital Acquisition Corporation (“Cambridge”), the restatement that occurred in May 2016, and financial and business information. In furtherance of the investigation, the SEC issued subpoenas to Anatoly Hurgin and the Reporting Person and obtained testimony from Company officers among others. The Company and its officers have been fully cooperating with the investigation. On July 3, 2018, the SEC issued “Wells” notices to the Company and Anatoly Hurgin and the Reporting Person, both of whom are controlling shareholders and officers and directors of the Company, in connection with the previously disclosed ongoing investigation of the SEC into the transaction with Cambridge, the restatement that occurred in May 2016, and financial and business information. The Wells notice indicated that the Staff of the SEC’s Division of Enforcement has made a preliminary determination to recommend that the SEC authorize the institution of an enforcement action against the Company and Mr. Hurgin and the Reporting Person that would allege, among others, violations of Section 17(a) of the Securities Act of 1933, and Sections 10(b) and 14(a) of the Securities Exchange Act of 1934. A Wells notice is neither a formal allegation of wrongdoing nor a finding that any violations of law have occurred. Rather, it provides the Company and Mr. Hurgin and the Reporting Person with an opportunity to respond to issues raised by the SEC and offer their perspective prior

to any SEC decision to institute proceedings. On August 10, 2018, the Company and Mr. Hurgin and the Reporting Person made Wells submissions in response to the Wells notices. If enforcement action is initiated, this could result in the Company and Mr. Hurgin and/or the Reporting Person being subject to an injunction and cease and desist order from further violations of the securities laws as well as monetary penalties of disgorgement, pre-judgment interest, a civil penalty, and in the case of Mr. Hurgin and the Reporting Person only, a bar from serving as an officer or director.

Item 5. Interests of Securities of the Issuer.

Item 5 of the Original Schedule 13D is hereby amended to add the following:

(a) and (b) There were 3,304,677 Ordinary Shares outstanding as of August 16, 2018. As of the date of this Amendment No. 1, the Reporting Person beneficially owned 832,500 shares of Ordinary Shares of the Company, which comprises 25.2% of the outstanding Ordinary Shares. All such shares are held through a trust of which the Reporting Person is beneficiary and over which the Reporting Person has voting and dispositive power. Such trust was established in connection with a pre-ruling of the Israel Tax Authority to ensure payment of any tax due to the Israel Tax Authority in connection with the Merger Agreement (as defined in the Original Schedule 13D). The shares reported in this Amendment No. 1 do not include Ordinary Shares which may become issuable to the Reporting Person pursuant to an earn-out under the Merger Agreement described in Item 6 below.

(c) None.

(d) Not applicable.

(e) Not applicable.

Item 6. Contracts, Arrangements, Undertakings or Relationships with Respect to Securities of the Issuer.

Item 6 of the Original Schedule 13D is hereby amended to add the following:

Merger Agreement

Earn-Out Shares

The Company was incorporated under the laws of the Cayman Islands under the name “Cambridge Holdco Corp.” as an exempted company on September 1, 2015 (“Holdco”). The Company was formed as a wholly-owned subsidiary of Cambridge.

On December 23, 2015, Cambridge merged with and into Holdco with Holdco surviving the merger and becoming the public entity (the “Redomestication Merger”), and Holdco consummated a business combination whereby it acquired Ability Computer & Software Industries Ltd. (“Ability”), by way of a share exchange (the “Share Exchange”, and together with the Redomestication Merger, the “Business Combination”), following which Ability became a wholly-owned subsidiary of Holdco, pursuant to Agreement and Plan of Reorganization, dated as of September 6, 2015, or the Merger Agreement. Effective as of the closing of the Business Combination, Holdco changed its name to “Ability Inc.”

Pursuant to the Merger Agreement and in addition to the Ordinary Shares issued to the Reporting Person as consideration for the Business Combination, the Reporting Person was granted the right to receive an additional number of Ordinary Shares to be issued upon and subject to the Company achieving certain net income targets in the fiscal years ending December 31, 2015, 2016, 2017 and 2018. The net income targets for 2015, 2016 and 2017 were not achieved. In the event that the Company achieves the 2018 Net Income Target (as defined in the Merger Agreement), the Company shall issue 47,000 shares of Ordinary Shares to the Reporting Person. In the event that the Company fails to satisfy the 2018 Net Income Target but Net Income (as defined in the Merger Agreement) for fiscal year 2018 is ninety percent (90%) or more of the 2018 Net Income Target but Net Income then the Company shall

issue a proportional amount of shares of Ordinary Shares to the Reporting Person.

Put Option

Pursuant to the Merger Agreement, the Reporting Person was granted the right, on one occasion during January 1, 2018 through March 1, 2018, or the Put Option Period, to put to the Company all or part of his pro rata portion of 117,327 shares of Ordinary Shares received by the Reporting Person in the Share Exchange for an amount in cash equal to (1) (x) the number of shares being put multiplied by (y) \$101.0 per share plus (2) the Reporting Person's pro rata portion of interest, if any, and subject to the pre-ruling granted by the Israel Tax Authority, as generated in the put option escrow account that was established. Pursuant to an escrow agreement dated December 23, 2015 among the Company, Anatoly Hurgin and Alexander Aurovsky (together as shareholders) and the Bank Leumi Le-Israel Trust Company Ltd. as escrow agent, \$11.9 million was deposited into an escrow account, referred to as the put option escrow account, by the Company at closing of the Business Combination to fund the payment of the purchase price for the put if it is exercised. On November 13, 2017, the parties amended the escrow agreement to change the Put Option Period to the period commencing on January 1, 2019 and ending on March 1, 2021.

Lock Up Agreement

In connection with the closing of the Company's registered direct offering that closed on August 16, 2018 (the "Offering"), the Reporting Person entered into a lock-up agreement pursuant to which he agreed, subject to certain exceptions, not to offer, sell, assign, transfer, pledge, contract to sell, or otherwise dispose of or announce the intention to otherwise dispose of, or enter into any swap, hedge or similar agreement or arrangement that transfers, in whole or in part, the economic consequence of ownership of, directly or indirectly, or engage in any short selling of, or make any demand or request or exercise any right with respect to the registration of, or file with the SEC a registration statement under the Securities Act of 1933 relating to, any ordinary shares or securities convertible into or exchangeable or exercisable for any ordinary shares without the prior written consent of the placement agent of the Offering for a period of 90 days from August 14, 2018.

Item 7. Material to Be Filed as Exhibits

The following documents are filed as exhibits to this Schedule:

Exhibit Number	Description of Exhibit
99.1	<u>Form of Lock-Up Agreement between Cambridge Capital Acquisition Corp., Cambridge Holdco Corp., Ability Computer & Software Industries Ltd. and each of the Ability stockholders (incorporated by reference to Exhibit 10.14 of the Registration Statement on Form S-4 filed on September 17, 2015).</u>
99.2	<u>Share Purchase Agreement, dated as of September 6, 2015 by and among Ability Security Systems Ltd., Eyal Tzur, Ability Computer & Software Industries Ltd., Anatoly Hurgin, Alexander Aurovsky, Cambridge Capital Acquisition Corporation and Cambridge Holdco Corp (incorporated by reference to Exhibit 10.19 to the Registration Statement on Form S-4 filed on September 17, 2015).</u>
99.3	<u>Form of Indemnity Escrow Agreement among Cambridge Holdco Corp., the Representative (as described in the Agreement and Plan of Reorganization), the shareholders of Ability Company & Software Industries Ltd., and Continental Stock Transfer & Trust Company, as Escrow Agent (incorporated by reference to Annex E to the definitive Proxy Statement/Prospectus filed on December 2, 2015).</u>
99.4	<u>Agreement and Plan of Reorganization, dated as of September 6, 2015, by and among Cambridge Capital Acquisition Corporation, Cambridge Holdco Corp., Ability Computer & Software Industries Ltd., and the shareholders of Ability Computer & Software Industries Ltd. (incorporated by reference to Annex A to the definitive Proxy Statement/Prospectus filed on December 2, 2015).</u>
99.5	<u>JV Purchase Escrow Agreement, dated as of December 23, 2015 by and among Cambridge Holdco Corp., the Representative (as described in the Agreement and Plan of Reorganization), Ability Security Systems Ltd., Eyal Tzur, the former shareholders of Ability Computer & Software Industries Ltd. and Continental Stock Transfer & Trust Company, as Escrow Agent. (incorporated by reference to Exhibit 4.8 of the Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 2, 2016).</u>
99.6	<u>Letter Agreement between Meitav Dash Trusts Ltd. and Alexander Aurovsky, dated March 20, 2016.</u>
99.7	<u>Amendment to Escrow Agreement between Anatoly Hurgin, Alexander Aurovsky, Ability Inc. and the Bank Leumi Le-Israel Trust Company Ltd. dated November 13, 2017 (incorporated by reference to Exhibit 99.1 of Form 6-K filed with the Securities and Exchange Commission on November 13, 2017).</u>
99.8	<u>Lock-Up Agreement between Ability Inc. and Alexander Aurovsky dated as of August 14, 2018.</u>

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: August 22, 2018

By: /s/ Alexander Aurovsky
Name: Alexander Aurovsky