

Levy Cheryl B.  
Form 4  
January 03, 2018

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
Expires: January 31, 2005  
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
Levy Cheryl B.

2. Issuer Name and Ticker or Trading Symbol  
Encompass Health Corp [EHC]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)  
3137 BROOK HIGHLAND DRIVE  
(Street)

3. Date of Earliest Transaction (Month/Day/Year)  
01/02/2018

\_\_\_ Director \_\_\_ 10% Owner  
 Officer (give title below) \_\_\_ Other (specify below)  
Chief Human Resources Officer

BIRMINGHAM, AL 35242

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
\_\_\_ Form filed by More than One Reporting Person

(City) (State) (Zip)

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|---|
| Healthsouth Common Stock        | 01/02/2018                           |  | F                              | (A) or (D)<br>2,075<br>(1)  | \$ 49.41<br>88,905  | D  |   |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

## Edgar Filing: Levy Cheryl B. - Form 4

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | 8. Price of Derivative Security (Instr. 5) | 9. Number of Derivative Securities Owned Following Transaction (Instr. 5) |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--|---|
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--|---|

## Reporting Owners

| Reporting Owner Name / Address                                      | Relationships |           |                               |       |
|---|---------------|-----------|-------------------------------|-------|
|   | Director      | 10% Owner | Officer                       | Other |
| Levy Cheryl B.<br>3137 BROOK HIGHLAND DRIVE<br>BIRMINGHAM, AL 35242 |               |           | Chief Human Resources Officer |       |

## Signatures

/s/ Cheryl B. Levy                                      01/03/2018  
\_\_\_\_\_  
\*\*Signature of Reporting Person                                      Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) These shares were withheld or surrendered to pay the insider's tax withholding obligations incurred in connection with the vesting of the related restricted stock.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. e="DISPLAY: block; MARGIN-LEFT: 90pt; TEXT-INDENT: 0pt; LINE-HEIGHT: 1.25; MARGIN-RIGHT: 0pt" align="justify">As of April 13, 2008, the Company failed to make its February payment. On April 7, 2008, the Company received consent from Ramot to postpone the February payment until April 25, 2008.

In addition, on August 1, 2007, the Company entered into the Second Amended and Restated Registration Rights Agreement with Ramot. According to the Second Amended and Restated Registration Rights Agreement, Ramot waived their demand for registration rights, according to the amended registration rights agreement dated March 31, 2006, and instead agreed to piggyback registration rights in the event that the Company files a registration statement.

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**BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY**  
**(A development stage company)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. dollars in thousands (except share data)**

**NOTE 3:- RESEARCH AND LICENSE AGREEMENT (Cont.)**

The warrants issued pursuant to the agreement were issued to Ramot and its designees effective as of November 4, 2004. Each of the warrants is exercisable for a seven-year period beginning on November 4, 2005. Ramot and its designees were granted certain registration rights.

Ramot has instructed the Company that the warrants will be issued as follows: Ramot shall be issued 60% of the warrants, the two consultants, or trustees for their benefit, shall each be issued, in addition to the Consultants' warrants described in Note 4, 15% of the Ramot warrants, Mr. Yosef Levy, a member of the research team, shall be issued 8% of the Ramot warrants and Mrs. Pnina Green, a member of the research team, shall be issued 2% of the Ramot warrants.

- b. The Company's total current obligation to Ramot as of December 31, 2007, is in the amount of \$485.

**NOTE 4:- CONSULTING AGREEMENTS**

a. On July 8, 2004, the Company entered into two consulting agreements with Prof. Eldad Melamed and Dr. Daniel Offen (together, the "Consultants"), upon which the Consultants shall provide the Company scientific and medical consulting services in consideration for a monthly payment of \$6 each. In addition, the Company granted each of the Consultants, a fully vested warrant to purchase 1,097,215 shares of Common Stock at an exercise price of \$0.01 per share. The warrants issued pursuant to the agreement were issued to the Consultants effective as of November 4, 2004. Each of the warrants is exercisable for a seven-year period beginning on November 4, 2005.

b. As of December 31, 2007, the Company has a total obligation of \$112 for services rendered by the Consultants.

**NOTE 5:- ACCOUNTS RECEIVABLE AND PREPAID EXPENSES**

|                        | <b>December 31,</b> |             |
|------------------------|---------------------|-------------|
|                        | <b>2007</b>         | <b>2006</b> |
| Government authorities | 102                 | 16          |
| Prepaid expenses       | 35                  | 26          |
|                        | 137                 | 42          |

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(A development stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. dollars in thousands (except share data)**

**NOTE 6:- PROPERTY AND EQUIPMENT**

|  | December 31, |      |
|--|--------------|------|
|  | 2007         | 2006 |
| Cost:                                      |              |      |
| Office furniture and equipment             | 9            | 5    |
| Computer software and electronic equipment | 86           | 50   |
| Laboratory equipment                       | 237          | 184  |
| Leasehold improvements                     | 625          | 371  |
|  | 957          | 610  |
| Accumulated depreciation:                  |              |      |
| Office furniture and equipment             | 1            | 1    |
| Computer software and electronic equipment | 40           | 20   |
| Laboratory equipment                       | 54           | 26   |
| Leasehold improvements                     | 123          | 72   |
|  | 218          | 119  |
| Depreciated cost                           | 739          | 491  |

Depreciation expenses for the year ended December 31, 2007, nine months ended December 31, 2006 and 2005 were \$99, \$62 and \$41 (unaudited), respectively. As of December 31, 2007, property and equipment in the amount of \$216 was not subject to depreciation.

**NOTE 7:- OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

|                               | December 31, |      |
|-------------------------------|--------------|------|
|                               | 2007         | 2006 |
| Employee and payroll accruals | 193          | 153  |
| Accrued expenses              | 856          | 498  |
|                               | 1,049        | 651  |

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**(A development stage company)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 8:- SHORT-TERM CONVERTIBLE LOANS**

a. On September 10, 2007, the Company entered into a payment agreement with the lender with respect to the Convertible Promissory Notes issued during 2006 (see Notes 8a, b and c to the financial statements as of December 31, 2006).

Pursuant to the agreement, the Company agreed to pay the outstanding amount due under the Convertible Promissory Notes, plus any accrued interest and penalties, in accordance with the following schedule:

| <b>Payment date</b> | <b>Amount</b> |
|---------------------|---------------|
| August 16, 2007     | 100           |
| November 30, 2007   | 100           |
| January 15, 2008    | 175           |
| February 28, 2008   | 175           |
| April 30, 2008      | 175           |
| June 30, 2008       | 175           |
| August 31, 2008     | 175           |
| November 30, 2008   | 175           |
| January 31, 2009    | 200           |

The lender agreed that upon payment of the foregoing amounts in accordance with the foregoing schedule, all of the Company's outstanding obligations owed to the lender under the Convertible Promissory Notes will be satisfied in full. The lender also waived any breach or default that may have arisen prior to the date of the agreement from the failure of the Company to make payments under any of the Convertible Promissory Notes. In addition, the lender waived his conversion rights.

The payments that should have been repaid on January 15, 2008 and February 28, 2008 have not been paid yet. As of April 13, 2008, see Note 14c.

According to the model provided in EITF 02-4, the Company concluded that the modification of the convertible loans payments is in the scope of FASB 15 "Accounting by Debtors and Creditors for Troubled Debt Restructurings". According to the payment agreement, the carrying amount of the loan is not in excess of total future payments and, therefore, in accordance with FASB 15, no gain or loss is recognized. As a result of this agreement, an amount of \$200 was included in long-term loan on the balance sheet.

b. On November 14, 2006, the Company issued a \$50 Convertible Promissory Note to a stockholder. Interest on the original note accrues at the rate of 12% per annum and was due and payable in full on February 12, 2007.

On August 20, 2007, the stockholder waived all the interest accrued through August 20, 2007 and afterwards. On November 12, 2007, the Company repaid the \$50 loan to the stockholder.

Explanation of Responses:



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**U.S. dollars in thousands (except share data)**

**NOTE 8:- SHORT-TERM CONVERTIBLE LOANS (Cont.)**

c. On December 12, 2006, the Company issued a \$200 Convertible Promissory Note to a third party. Interest on the note accrues at the rate of 8% per annum and was due and payable in full on December 31, 2007. The note will become immediately due and payable upon the occurrence of certain events of default, as defined in the note. The third party has the right at any time prior to the close of business on the maturity date to convert all or part of the outstanding principal and interest amount of the note into shares of Common Stock. The conversion price, as defined in the note, will be 75% (60% upon the occurrence of an event of default) of the average of the last bid and ask price of the Common Stock as quoted on the Over-the-Counter Bulletin Board for the five trading days prior to the Company's receipt of the third party written notice of election to convert, but in no event will the conversion price be greater than \$0.35 or more than 4,000,000 shares of Common Stock be issued. The conversion price will be adjusted in the event of a stock dividend, subdivision, combination or stock split of the outstanding shares.

In addition, the Company granted to the third party warrants to purchase 200,000 shares of Common Stock at an exercise price of \$0.45 per share. The warrants are fully vested and exercisable at any time after December 2006 until the second anniversary of the issue date. The fair value of the warrants amounts to \$23.

The Company agreed to pay a finder's fee of 10% of the loan. The finder's fee totaling \$20 was charged to deferred charges and is amortized as financial expense over the note period.

In accordance with APB 14, the Company allocated the proceeds of the convertible note issued with detachable warrants based on the relative fair values of the two securities at the time of issuance. As a result, the Company recorded in its statement of changes in stockholders' equity an amount of \$12 with respect to the warrants and the convertible note was recorded in the amount of \$188.

The beneficial conversion feature ("BCF"), in the amount of \$133, embedded in the note was calculated based on a conversion rate of 60%, as defined upon the occurrence of an event of default. The amount was recorded as discount on the note against additional paid-in capital and is amortized to financial expenses over the note period.

The balance as of December 31, 2007, is comprised as follows:

|                  |     |
|------------------|-----|
| Note             | 200 |
| Accrued interest | 16  |
|                  | 216 |

On February 21, 2008, the third party converted the entire accrued principal and interest into 619,523 shares of Common Stock.

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**NOTE 8:- SHORT-TERM CONVERTIBLE LOANS (Cont.)**

d. On January 26, 2007, the Company issued a \$25 Convertible Promissory Note to a stockholder. Interest on the original note accrued at the rate of 12% per annum and was due and payable in full on February 28, 2007. The BCF, in the amount of \$8, embedded in the note was recorded as discount on the note against additional paid-in capital and was amortized to financial expenses over the note period.

The Company did not pay the loan on the original maturity date. On May 1, 2007, the Company and the creditor agreed that the payment of the \$25 for the above Convertible Promissory Note and payment of \$50 of the Convertible Promissory Note from the stockholder dated November 14, 2006 (see Note 8d to the financial statements as of December 31, 2006) will be deferred to May 31, 2007.

For the deferral of the maturity dates, the Company granted on March 25, 2007 to the stockholder, warrants to purchase 75,000 shares of Common Stock at an exercise price of \$0.45 per share. The warrants are fully vested and are exercisable at any time after March 25, 2007 until the second anniversary of the issue date. The fair value of the warrants in the amount of \$20 was recorded as financial expense.

On August 13, 2007, the Company repaid the \$25 loan to the stockholder. On August 20, 2007, the stockholder waived all the interest accrued through August 20, 2007 and afterwards.

e. On February 5, 2007, the Company issued a \$50 Convertible Promissory Note to a stockholder. Interest on the note accrues at the rate of 8% per annum and was due and payable in full on February 5, 2008. The stockholder has the right at any time prior to the close of business on the maturity date to convert all or part of the outstanding principal and interest amount of the note into shares of Common Stock. The conversion price, as defined in the note, will be 75% (60% upon the occurrence of an event of default) of the average of the last bid and ask price of the Common Stock as quoted on the Over-the-Counter Bulletin Board for the five trading days prior to the Company's receipt of the third party written notice of election to convert, but in no event will the conversion price be greater than \$0.35 or more than 2,000,000 shares of Common Stock be issued. The conversion price will be adjusted in the event of a stock dividend, subdivision, combination or stock split of the outstanding shares.

In addition, the Company granted to the stockholder warrants to purchase 50,000 shares of Common Stock at an exercise price of \$0.45 per share. The warrants are fully vested and exercisable at any time after February 5, 2007 until the second anniversary of the issue date. The fair value of the warrants is \$8.

In accordance with APB 14, the Company allocated the proceeds of the convertible note issued with detachable warrants based on the relative fair values of the two securities at the time of issuance. As a result, the Company recorded in its statement of changes in stockholders' equity an amount of \$4 with respect to the warrants and the convertible note was recorded in the amount of \$46.



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. dollars in thousands (except share data)**

**NOTE 8:- SHORT-TERM CONVERTIBLE LOANS (Cont.)**

The BCF, in the amount of \$37, embedded in the note was calculated based on a conversion rate of 60%, as defined upon the occurrence of an event of default and according to the notes' effective conversion price. The amount was recorded as discount on the note against additional paid-in capital and is amortized in full to financial expense due to converting the loan into shares.

On May 28, 2007, the stockholder converted the entire accrued principal and interest amount of \$51 into 210,812 shares of Common Stock.

f. On March 5, 2007, the Company issued a \$150 Convertible Promissory Note to a third party. Interest on the note accrues at the rate of 8% per annum and was due and payable in full on March 5, 2008. The note will become immediately due and payable upon the occurrence of certain events of default, as defined in the note. The third party has the right at any time prior to the close of business on the maturity date to convert all or part of the outstanding principal and interest amount of the note into shares of Common Stock. The conversion price, as defined in the note, will be 75% (60% upon the occurrence of an event of default) of the average of the last bid and ask price of the Common Stock as quoted on the Over-the-Counter Bulletin Board for the five trading days prior to the Company's receipt of the third party written notice of election to convert, but in no event shall the conversion price be greater than \$0.35 or more than 3,000,000 shares of Common Stock be issued. The conversion price will be adjusted in the event of a stock dividend, subdivision, combination or stock split of the outstanding shares.

In addition, the Company granted to the third party warrants to purchase 150,000 shares of Common Stock at an exercise price of \$0.45 per share. The warrants are fully vested and are exercisable at any time after March 5, 2007 until the second anniversary of the issue date. The fair value of the warrants is \$43.

In accordance with APB 14, the Company allocated the proceeds of the convertible note issued with detachable warrants based on the relative fair values of the two securities at the time of issuance. As a result, the Company recorded in its statement of changes in stockholders' equity an amount of \$22 with respect to the warrants and the convertible note was recorded in the amount of \$128.

The Company agreed to pay a finder's fee of \$15; \$13 was allocated to deferred charges and is amortized as financial expense over the note period and \$2 was allocated to stockholder's equity.

The BCF, in the amount of \$122, embedded in the note was calculated based on a conversion rate of 60%, as defined upon the occurrence of an event of default and according to the notes' effective conversion price. The amount was recorded as discount on the note against additional paid-in capital and is amortized to financial expense over the note period.

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**U.S. dollars in thousands (except share data)**

**NOTE 8:- SHORT-TERM CONVERTIBLE LOANS (Cont.)**

The balance as of December 31, 2007, is comprised as follows:

|                  |      |
|------------------|------|
| Note             | 150  |
| Discount         | (24) |
| Accrued interest | 10   |
|                  | 136  |

g. On March 14, 2007, the Company issued a \$50 Convertible Promissory Note to a third party. Interest on the note accrues at the rate of 8% per annum and was due and payable in full on March 14, 2008. The note will become immediately due and payable upon the occurrence of certain events of default, as defined in the note. The third party has the right at any time prior to the close of business on the maturity date to convert all or part of the outstanding principal and interest amount of the note into shares of Common Stock. The conversion price, as defined in the note, will be 75% of the average of the last bid and ask price of the Common Stock as quoted on the Over-the-Counter Bulletin Board for the five trading days prior to the Company's receipt of the third party written notice of election to convert, but in no event shall the conversion price be greater than \$0.35 or more than 2,000,000 shares of Common Stock be issued. The conversion price will be adjusted in the event of a stock dividend, subdivision, combination or stock split of the outstanding shares.

In addition, the Company granted to the third party warrants to purchase 50,000 shares of Common Stock at an exercise price of \$0.45 per share. The warrants are fully vested and are exercisable at any time after March 14, 2007 until the third anniversary of the issue date. The fair value of the warrants is \$16.

In accordance with APB 14, the Company allocated the proceeds of the convertible note issued with detachable warrants based on the relative fair values of the two securities at the time of issuance. As a result, the Company recorded in its statement of changes in stockholders' equity an amount of \$9 with respect to the warrants and the convertible note was recorded in the amount of \$41.

The BCF, in the amount of \$26, embedded in the note was calculated based on a conversion rate of 75% and according to the notes' effective conversion price. The amount was recorded as discount on the note against additional paid-in capital and is amortized in full to financial expense due to converting the loan into shares.

On June 27, 2007, the third party converted the entire accrued principal and interest amount of \$51 into 225,347 shares of Common Stock.

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**U.S. dollars in thousands (except share data)**

**NOTE 8:- SHORT-TERM CONVERTIBLE LOANS (Cont.)**

h. On April 10, 2007, the Company issued a \$25 Convertible Promissory Note to a third party. Interest on the note accrues at the rate of 8% per annum and is due and payable in full on April 10, 2008. The note will become immediately due and payable upon the occurrence of certain events of default, as defined in the note. The third party has the right at any time prior to the close of business on the maturity date to convert all or part of the outstanding principal and interest amount of the note into shares of Common Stock. The conversion price, as defined in the note, will be 75% (60% upon the occurrence of an event of default) of the average of the last bid and ask price of the Common Stock as quoted on the Over-the-Counter Bulletin Board for the five trading days prior to the Company's receipt of the third party written notice of election to convert, but in no event shall the conversion price be greater than \$0.35 or more than 1,000,000 shares of Common Stock be issued. The conversion price will be adjusted in the event of a stock dividend, subdivision, combination or stock split of the outstanding shares.

In addition, the Company granted to the third party warrants to purchase 25,000 of Common Stock at an exercise price of \$0.45 per share. The warrants are fully vested and are exercisable at any time after April 10, 2007, until the second anniversary of the issue date. The fair value of the warrants is \$6.

In accordance with APB 14, the Company allocated the proceeds of the convertible note issued with detachable warrants based on the relative fair values of the two securities at the time of issuance. As a result, the Company recorded in its statement of changes in stockholders' equity an amount of \$4 with respect to the warrants and the convertible note was recorded in the amount of \$21.

The BCF, in the amount of \$12, embedded in the note was calculated based on a conversion rate of 75% and according to the notes' effective conversion price. The amount was recorded as discount on the note against additional paid-in capital and is amortized to financial expense over the note period.

The balance as of December 31, 2007, is comprised as follows:

|                  |     |
|------------------|-----|
| Note             | 25  |
| Discount         | (4) |
| Accrued interest | 1   |
|                  | 22  |

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. dollars in thousands (except share data)**

**NOTE 8:- SHORT-TERM CONVERTIBLE LOANS (Cont.)**

i. On May 6, 2007, the Company issued a \$250 Convertible Promissory Note to a stockholder. Interest on the note accrues at the rate of 8% per annum and is due and payable in full on May 6, 2008. The note will become immediately due and payable upon the occurrence of certain events of default, as defined in the note. The stockholder has the right at any time prior to the close of business on the maturity date to convert all or part of the outstanding principal and interest amount of the note into shares of Common Stock. The conversion price, as defined in the note, will be 75% (60% upon the occurrence of an event of default) of the average of the last bid and ask price of the Common Stock as quoted on the Over-the-Counter Bulletin Board for the five trading days prior to the Company's receipt of the third party written notice of election to convert, but in no event shall the conversion price be greater than \$0.35 or more than 5,000,000 shares of Common Stock be issued. The conversion price will be adjusted in the event of a stock dividend, subdivision, combination or stock split of the outstanding shares.

In addition, the Company granted to the stockholder warrants to purchase 250,000 shares of Common Stock at an exercise price of \$0.45 per share. The warrants are fully vested and are exercisable at any time after May 6, 2007 until May 31, 2010. The fair value of the warrants is \$82.

In accordance with APB 14, the Company allocated the proceeds of the convertible note issued with detachable warrants based on the relative fair values of the two securities at the time of issuance. As a result, the Company recorded in its statement of changes in stockholders' equity an amount of \$46 with respect to the warrants and the convertible note was recorded in the amount of \$204.

The BCF, in the amount of \$129, embedded in the note was calculated based on a conversion rate of 75% and according to the notes' effective conversion price. The amount was recorded as discount on the note against additional paid-in capital and is amortized to financial expense over the note period.

On August 30, 2007, as part of a private placement with the stockholder (Note 11b(1)(f)), the stockholder surrendered to the Company the \$250 Promissory Note and the 250,000 warrants issued to the stockholder. The amount of \$250 paid by the investor on May 6, 2007 was considered as part of the private placement payment.

j. On July 3, 2007, the Company issued a \$30 Convertible Promissory Note to a third party. Interest on the note accrues at the rate of 8% per annum and is due and payable in full on July 3, 2008. The note will become immediately due and payable upon the occurrence of certain events of default, as defined in the note. The third party has the right at any time prior to the close of business on July 3, 2008 to convert all or part of the outstanding principal and interest amount of the note into shares of Common Stock. The conversion price, as defined in the note, will be 75% (60% upon the occurrence of an event of default) of the average of the last bid and ask price of the Common Stock as quoted on the Over-the-Counter Bulletin Board for the five trading days prior to the Company's receipt of the third party written notice of election to convert, but in no event shall the conversion price be greater than \$0.35 or more than 1,000,000 shares of Common Stock be issued. The conversion price will be adjusted in the event of a stock dividend, subdivision, combination or stock split of the outstanding shares.



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**NOTE 8:- SHORT-TERM CONVERTIBLE LOANS (Cont.)**

In addition, the Company granted to the third party warrants to purchase 30,000 shares of Common Stock at an exercise price of \$0.45 per share. The warrants are fully vested and are exercisable at any time after July 3, 2007 until the second anniversary of the issue date. The fair value of the warrants is \$12.

In accordance with APB 14, the Company allocated the proceeds of the convertible note issued with detachable warrants based on the relative fair values of the two securities at the time of issuance. As a result, the Company recorded in its statement of changes in stockholders' equity an amount of \$5 with respect to the warrants and the convertible note was recorded in the amount of \$25.

The BCF, in the amount of \$15, embedded in the note was calculated based on a conversion rate of 75% and according to the notes' effective conversion price. The amount was recorded as discount on the note against additional paid-in capital and is amortized to financial expense over the note period.

The balance as of December 31, 2007, is comprised as follows:

|                  |      |
|------------------|------|
| Note             | 30   |
| Discount         | (10) |
| Accrued interest | 1    |
|                  | 21   |

k. On July 3, 2007, the Company issued a \$100 Convertible Promissory Note to a third party. Interest on the note accrues at the rate of 8% per annum and is due and payable in full on July 3, 2008. The note becomes immediately due and payable upon the occurrence of certain events of default, as defined in the note. The third party has the right at any time prior to the close of business on the maturity date to convert all or part of the outstanding principal and interest amount of the note into shares of Common Stock. The conversion price, as defined in the note, will be 75% of the average of the last bid and ask price of the Common Stock as quoted on the Over-the-Counter Bulletin Board for the five trading days prior to the Company's receipt of the third party written notice of election to convert, but in no event shall the conversion price be greater than \$0.35 or more than 2,000,000 shares of Common Stock be issued.

In addition, the Company granted to the third party warrants to purchase 100,000 shares of Common Stock at an exercise price of \$0.45 per share. The warrants are fully vested and are exercisable at any time after July 3, 2007 until the third anniversary of the issue date. The fair value of the warrants is \$44.

In accordance with APB 14, the Company allocated the proceeds of the convertible note issued with detachable warrants based on the relative fair values of the two securities at the time of issuance. As a result, the Company recorded in its statement of changes in stockholders' equity an amount of \$19 with respect to the warrants and the convertible note was recorded in the amount of \$81.



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**NOTE 8:- SHORT-TERM CONVERTIBLE LOANS (Cont.)**

The BCF, in the amount of \$82, embedded in the note was calculated based on a conversion rate of 75% and according to the notes' effective conversion price. The amount was recorded as discount on the note against additional paid-in capital and is amortized in full to financial expense due to converting the loan into shares.

On September 5, 2007, the third party converted the entire accrued principal and interest amount of \$101 into 289,722 shares of Common Stock.

1. According to EITF 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in a Company's Own Stock", in order to classify warrants and options (other than employee stock options) as equity and not as liabilities, the Company must have sufficient authorized and unissued shares of Common Stock to provide for settlement of those instruments that may require share settlement. Under the original terms of the note issued on February 7, 2006, the Company might be required to issue an unlimited number of shares to satisfy the note's contractual requirements. As such, the Company's warrants and options (other than employee stock options) were required to be classified as liabilities and measured at fair value with changes recognized currently in earnings, as of March 31, 2006.

Consequently, on February 7, 2006, the Company reclassified at fair value, options and warrants previously issued to consultants and investors from equity to liability. Such reclassification amounted to \$7,906. Gains and losses derived from the remeasurement of the options and warrants to their fair value for the nine months ended December 31, 2006, amounting to \$488 and \$180, were recorded as research and development, general and administrative and financial expenses. On June 14, 2006, the Company signed an amendment to the note agreement, limiting the number of shares to be issued upon conversion of such note to an amount of 50,000,000 shares of Common Stock. As a consequence, the options and warrants were reclassified into equity according to their fair value as of June 14, 2006.

All notes issued during the year ended December 31, 2007, include a provision that limits the maximum number of shares to be issued upon conversion. EITF 00-19 was analyzed for all warrants issued during 2007 and it was determined that equity classification is appropriate.

**NOTE 9:- SHORT-TERM LOANS**

On February 8, 2006, the Company issued a \$189 Promissory Note due June 8, 2006, with interest of 8% to a third party (the "Lender"). In addition, the Company granted to the Lender warrants to purchase 189,000 shares of Common Stock at an exercise price of \$0.50 per share. The warrants are fully vested and are exercisable at any time after February 8, 2006 until the third anniversary of the issue date.

The Company agreed to pay \$22 for due diligence and legal fees. The fees were amortized over a four-month period ended June 8, 2006.





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**NOTE 9:- SHORT-TERM LOANS (Cont.)**

The fair value of the warrants amounted to approximately \$79. The Company estimated the fair value of the warrants using a Black-Scholes options pricing model, with the following assumptions: volatility of 119%, risk free interest rate of 4.66%, dividend yield of 0% and an expected life of 36 months.

In accordance with EITF 00-19 (see Note 8(1) above for further discussion), the warrants were recorded as a liability at their entire fair value and the residual amount (the difference between the amounts invested and the fair value of the warrants at the date of issuance) was allocated to the note.

As a result, an amount equal to the fair value allocated to the warrants was recorded as discount on the note, and was amortized to financial expense over a four-month period ended June 8, 2006.

On October 3, 2006, the Company issued a warrant to purchase 630,000 shares of Common Stock at a purchase price of \$0.3 per share to the Lender under the Lender's agreement to extend the maturity date of the note to December 31, 2006 and to waive any and all interest or fees. The warrants are fully exercisable and expire after three years.

The fair value of the warrants is \$110. The Company estimated the fair value of the warrants using a Black-Scholes options pricing model, with the following assumptions: volatility of 101.7%, risk free interest rate of 4.5%, dividend yield of 0% and an expected life of 36 months. The amount of \$110 was recorded as financial expense. In accordance with FASB 15 "Accounting by Debtors and Creditors for Troubled Debt Restructuring" and in accordance with EITF 02-4 "Determining whether a Debtor's Modifications or Exchange of Debt Instruments are Within the Scope of FASB 15", the Company recorded the fair value of the warrants as a discount on the note with a corresponding credit to equity. The discount was amortized as financial expense over a three-month period ended December 31, 2006.

On July 30, 2007, the third party and the Company agreed on loan termination under the terms as follows:

1. The third party shall exercise the 630,000 warrants issued on October 3, 2006.
2. The exercise price shall be used to pay the principal of the loan.
3. The Company shall pay \$17 for the accrued interest.

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**NOTE 10:- COMMITMENTS AND CONTINGENCIES**

a. On December 1, 2004, the Israeli subsidiary entered into a lease agreement for the lease of its facilities. The term of the lease is 36 months, with two options to extend: one for an additional 24 months (the "First Option"); and one for an additional 36 months (the "Second Option"). Rent is to be paid on a quarterly basis in the following amounts: (i) NIS 17,965 (approximately \$5) per month during the first 12 months of the lease; (ii) NIS 19,527 (approximately \$5) per month during the following 24 months of the lease; (iii) NIS 22,317 (approximately \$6) per month during the First Option period; and (iv) NIS 23,712 (approximately \$6) per month during the Second Option period. As of December 31, 2007, the lease agreement has expired and the Israeli subsidiary has entered into the "first option".

The facilities and vehicles of the Company and its subsidiary are rented under operating leases that expire on various dates. Aggregate minimum rental commitments under non-cancelable leases as of December 31, 2007 are as follows:

| Period ending December 31, | Facilities | Vehicles | Total |
|----------------------------|------------|----------|-------|
| 2008                       | 81         | 41       | 122   |
| 2009                       | 81         | 32       | 113   |
| 2010                       | 85         | 25       | 110   |
|                            | 247        | 98       | 345   |

Total rent expenses for the year ended December 31, 2007, nine months ended December 31, 2006 and 2005 were \$90, \$57 and \$40 (unaudited), respectively.

b. The Company's subsidiary gave a bank guarantee in the amount of \$35 to secure its obligation under the facilities lease agreement. Accordingly, an amount of \$ 35 is represented in the balance sheet as restricted cash.

c. On March 20, 2006, the Company entered into a Termination Agreement and General Release (the "Termination Agreement") with Dr. Yaffa Beck, the Company's former President and Chief Executive Officer who resigned her position as an officer and director of the Company on November 10, 2005.

Under the Termination Agreement, the Company and Dr. Beck agreed to terminate their employment relationship effective February 9, 2006. Pursuant to the Termination Agreement, the Company paid in 10 monthly installments beginning March 1, 2006 a total of \$47 to Dr. Beck. In addition, as per the original terms of the grant, options previously granted to Dr. Beck to acquire 800,000 shares of Common Stock at an exercise price of \$0.15 per share, which are fully vested, will be exercisable until February 9, 2010. All compensation expense related to such vested options was previously recorded in the statement of operations. All other options previously granted to Dr. Beck were forfeited. As a consequence, in the year ended March 31, 2006, of deferred stock compensation in the amount of \$3,363, was eliminated against additional paid-in capital and compensation expense in the amount of \$104 was reversed.



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**NOTE 10:- COMMITMENTS AND CONTINGENCIES (Cont.)**

Such Termination Agreement settles all of Dr. Beck's claims against the Company. No further claims can be raised by either party following the signing of the Termination Agreement.

As of December 31, 2007, there is still an unpaid balance of \$17 to Dr. Beck regarding this Termination Agreement.

d. Commitments to pay royalties to the Chief Scientist:

The Subsidiary obtained from the Chief Scientist of the State of Israel grants for participation in research and development for the year 2007 and, in return, the Subsidiary is obligated to pay royalties amounting to 3% of its future sales up to the amount of the grant. The grant is linked to the exchange rate of the dollar and bears interest of Libor per annum.

Through December 31, 2007, total grants obtained amounted to \$291.

**NOTE 11:- STOCK CAPITAL**

a. The rights of Common Stock are as follows:

Holders of Common Stock have the right to receive notice to participate and vote in general meetings of the Company, the right to a share in the excess of assets upon liquidation of the Company and the right to receive dividends, if declared.

The Common Stock is registered and publicly traded on the Over-the-Counter Bulletin Board service of the National Association of Securities Dealers, Inc. under the symbol BCLI.

b. Issuance of shares, warrants and options:

1. Private placements:

a) On June 24, 2004, the Company issued to investors 8,510,000 shares of Common Stock for total proceeds of \$60 (net of \$25 issuance expenses).

b) On February 23, 2005, the Company completed a private placement for sale of 1,894,808 units for total proceeds of \$1,418. Each unit consists of one share of Common Stock and a three-year warrant to purchase one share of Common Stock at \$2.50 per share. This private placement was consummated in three tranches which closed in October 2004, November 2004 and February 2005.

c) On May 12, 2005, the Company issued to an investor 186,875 shares of Common Stock for total proceeds of \$149 at a price of \$0.8 per share.

d) On July 27, 2005, the Company issued to investors 165,000 shares of Common Stock for total proceeds of \$99 at a price of \$0.6 per share.

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**BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY**  
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**NOTE 11:- STOCK CAPITAL (Cont.)**

- e) On August 11, 2005, the Company signed a private placement agreement ("PPM") with investors for the sale of up to 1,250,000 units at a price of \$0.8 per unit. Each unit consists of one share of Common Stock and one warrant to purchase one share of Common Stock at \$1.00 per share. The warrants are exercisable for a period of three years from issuance. On September 30, 2005, the Company sold 312,500 units for total net proceeds of \$225. On December 7, 2005, the Company sold 187,500 units for total net proceeds of \$135.
- f) On July 2, 2007, the Company entered into an investment agreement, pursuant to which the Company agreed to sell up to 27,500,000 shares of Common Stock, for an aggregate subscription price of up to \$5 million and warrants to purchase up to 30,250,000 shares of Common Stock. Separate closings of the purchase and sale of the shares and the warrants shall take place as follows:

| Purchase date     | Purchase price   | Number of subscription shares | Number of warrant shares |
|-------------------|--|-------------------------------|--------------------------|
|                   | \$1,250<br>(includes<br>\$250 paid as<br>a convertible<br>loan<br>(Note 8i)) |                               |                          |
| August 30, 2007   |  | 6,875,000                     | 7,562,500                |
| November 15, 2007 | \$ 750   | 4,125,000                     | 4,537,500                |
| February 15, 2008 | \$ 750   | 4,125,000                     | 4,537,500                |
| May 15, 2008      | \$ 750   | 4,125,000                     | 4,537,500                |
| July 30, 2008     | \$ 750   | 4,125,000                     | 4,537,500                |
| November 15, 2008 | \$ 750   | 4,125,000                     | 4,537,500                |

At each closing date, the Company shall deliver to the investor the number of shares and warrants, subject to customary closing conditions and the delivery of funds, described above. The warrants shall have the following exercise prices: (i) the first 10,083,333 warrants have an exercise price of \$0.20 per share; (ii) the next 10,083,333 warrants will have an exercise price of \$0.29 per share; and (iii) the final 10,083,334 warrants issued will have an exercise price of \$0.36 per share. All warrants will expire on November 5, 2011.

As of December 31, 2007, the investor completed payment of \$2,000, and the Company issued to the investor an aggregate of 11,000,000 shares of Common Stock and a warrant to purchase 10,083,333 shares of Common Stock at an exercise price of \$0.20 per share and a warrant to purchase 2,016,667 shares of Common Stock at an exercise price of \$0.29 per share.

In addition, the Company agreed to issue an aggregate of 1,250,000 shares of Common Stock to a related party as an introduction fee for the investment. The shares shall be issued pro rata to the funds received from the investor.

As of December 31, 2007, 500,000 shares of Common Stock had been issued as an introduction fee.



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**NOTE 11:-** **STOCK CAPITAL (Cont.)**

2. Share-based compensation to employees and to directors:

a) Options to employees and directors:

On November 25, 2004, the Company's stockholders approved the 2004 Global Stock Option Plan and the Israeli Appendix thereto (which applies solely to participants who are residents of Israel) and on March 28, 2005, the Company's stockholders approved the 2005 U.S. Stock Option and Incentive Plan, and the reservation of 9,143,462 shares of Common Stock for issuance in the aggregate under these stock option plans.

Each option granted under the plans is exercisable until the earlier of ten years from the date of grant of the option or the expiration dates of the respective option plans. The 2004 and 2005 options plans will expire on November 25, 2014 and March 28, 2015, respectively. The exercise price of the options granted under the plans may not be less than the nominal value of the shares into which such options are exercised. The options vest primarily over three or four years. Any options that are canceled or forfeited before expiration become available for future grants.

As of December 31, 2007, 321,684 options are available for future grants.

On May 27, 2005, the Company granted one of its directors an option to purchase 100,000 shares of Common Stock at an exercise price of \$0.75 per share. The options are fully vested and expire after 10 years.

On February 6, 2006, the Company entered into an amendment to the Company's option agreement with the Company's Chief Financial Officer. The amendment changes the exercise price of the 400,000 options granted to him on February 13, 2005 from \$0.75 to \$0.15 per share.

On May 2, 2006, the Company granted to one of its directors an option to purchase 100,000 shares of Common Stock at an exercise price of \$0.15 per share. The options are fully vested and expire after 10 years. The compensation related to the options, in the amount of \$48, was recorded as general and administrative expense.

On June 22, 2006, the Company entered into an amendment to the Company's option agreement with two of its employees. The amendment changes the exercise price of 270,000 options granted to them from \$0.75 to \$0.15 per share. The excess of the fair value resulting from the modification, in the amount of \$2, was recorded as general and administration expense over the remaining vesting period of the option.

On September 17, 2006, the Company entered into an amendment to the Company's option agreement with one of its directors. The amendment changes the exercise price of 100,000 options granted to the director from \$0.75 to \$0.15 per share.

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**NOTE 11:- STOCK CAPITAL (Cont.)**

On March 21, 2007, the Company granted to one of its directors an option to purchase 100,000 shares of Common Stock at an exercise price of \$0.15 per share. The option is fully vested and is exercisable for a period of 10 years. The compensation related to the option, in the amount of \$43, was recorded as general and administrative expense.

On July 1, 2007, the Company granted to one of its directors an option to purchase 100,000 shares of Common Stock at an exercise price of \$0.15 per share. The option is fully vested and is exercisable for a period of 10 years. The compensation related to the option, in the amount of \$38, was recorded as general and administrative expense. On October 22, 2007, the Company and the director agreed to cancel and relinquish all the options which were granted on July 1, 2007.

On July 16, 2007, the Company granted to one of its directors an option to purchase 100,000 shares of Common Stock at an exercise price of \$0.15 per share. The option is fully vested and is exercisable for a period of 10 years. The compensation related to the option, in the amount of \$75, was recorded as general and administrative expense.

On August 27, 2007, the Company granted to one of its directors an option to purchase 100,000 shares of Common Stock at an exercise price of \$0.15 per share. The option is fully vested and is exercisable for a period of 10 years. The compensation related to the option, in the amount of \$84, was recorded as general and administrative expense.

On October 23, 2007, the Company granted to its CEO an option to purchase 1,000,000 shares of Common Stock at an exercise price of \$0.87 per share. The option vests with respect to 1/6 of the option on each six month anniversary and expires after 10 years. The total compensation related to the option is \$733, which is amortized over the vesting period as general and administrative expense. An amount of \$46 was recorded as general and administrative expense.

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

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**NOTE 11:- STOCK CAPITAL (Cont.)**

|  | Year ended<br>December 31,<br>2007 |  |   | Nine months ended<br>December 31,<br>2006 |  | Nine months ended<br>December 31,<br>2005 (unaudited) |  |
|--|------------------------------------|--|---|---|--|---|--|
|  | Amount of<br>options               | Weighted<br>average<br>exercise<br>price | Aggregate<br>intrinsic<br>value<br>\$\$ | Amount of<br>options                      | Weighted<br>average<br>exercise<br>price | Amount of<br>options                                  | Weighted<br>average<br>exercise<br>price<br>\$\$ |
| Outstanding at<br>beginning of period              | 2,850,760                          | 0.188                                    | \$ 332                                  | 2,360,760                                 | 0.176                                    | 3,009,452   | 0.249  |
| Granted  | 2,540,000                          | 0.57                                     |   | 490,000                                   | 0.244                                    | 380,000   | 0.75   |
| Cancelled  | (110,000)                          | 0.179                                    |   | -   |  | -   |  |
| Outstanding at end of<br>period                    | 5,280,760                          | 0.372                                    | \$ 1,663                                | 2,850,760                                 | 0.188                                    | 3,389,452   | 0.24   |
| Vested and<br>expected-to-vest at end<br>of period | 3,158,354                          | 0.195                                    | \$ 1,427                                | 2,068,332                                 | 0.166                                    | 1,068,413   | 0.24   |

\*) During 2006, the Company re-priced the exercise price for certain grants to employees and directors. The re-pricing was accounted for in accordance with SFAS 123(R), by applying modification accounting. According to SFAS 123(R), modifications are treated as an exchange of the original award, resulting in additional compensation expense based on the difference between the fair value of the new award and the original award immediately before modification. Applying modification accounting resulted in additional compensation expense for the nine months ended December 31, 2006, that amounted to \$20.

The aggregate intrinsic value in the table above represents the total intrinsic value (the difference between the fair market value of the Company's shares on December 31, 2007 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2007.

As of December 31, 2007, there was \$1,057 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Company's stock option plans. That cost is expected to be recognized over a weighted-average period of 2.59 years.



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**NOTE 11:- STOCK CAPITAL (Cont.)**

The options outstanding as of December 31, 2007, have been separated into exercise prices, as follows:

| Exercise price<br>\$ | Options<br>outstanding<br>as of<br>December 31,<br>2007 | Weighted<br>average<br>remaining<br>contractual<br>life<br>Years | Options<br>exercisable<br>as of<br>December 31,<br>2007 |
|----------------------|---|--|---|
| 0.15                 | 2,855,760   | 5.14   | 2,752,709   |
| 0.75                 | 105,000   | 7.23   | 72,887  |
| 0.28                 | 10,000  | 8.72   | 3,219   |
| 0.4                  | 180,000   | 8.48   | 68,671  |
| 0.47                 | 780,000   | 6.98   | 203,014   |
| 0.39                 | 250,000   | 9.5  | 41,781  |
| 0.5                  | 100,000   | 9.52   | 16,073  |
| 0.87                 | 1,000,000   | 9.79   | -   |
|                      | 5,280,760   | 6.75   | 3,158,354   |

Some options were granted to employees with exercise prices that were lower than the market price of the shares of Common Stock on the date of grant. Weighted average fair values and weighted average exercise prices of options at the date of grant during the period are as follows:

|   | Year ended<br>December 31,<br>2007 | Nine months<br>ended<br>December 31,<br>2006 | Nine months<br>ended<br>December 31,<br>2005<br>Unaudited |
|---|------------------------------------|--|---|
| Weighted average exercise price                 | 0.57                               | 0.244  | 0.177   |
| Weighted average fair value on<br>date of grant | 0.68                               | 0.88   | 1.24  |

Compensation expense recorded by the Company in respect of its stock-based employee compensation awards in accordance with APB 25 amounted to \$832 for the nine months ended December 31, 2005.

Compensation expense recorded by the Company in respect of its stock-based employee compensation award in accordance with SFAS 123(R) for the year ended December 31, 2007 and for the nine months ended December 31,

Explanation of Responses:

2006, amounted to \$1,232 and \$745, respectively.

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**NOTE 11:- STOCK CAPITAL (Cont.)**

The fair value of the options is estimated at the date of grant using a Black-Scholes options pricing model with the following assumptions used in the calculation:

|                                   | <b>Year<br/>ended<br/>December<br/>31,<br/>2007</b> | <b>Nine<br/>months<br/>ended<br/>December<br/>31,<br/>2006</b> |
|-----------------------------------|---|--|
| Expected volatility               | 93% -<br>115%                                       | 67% -<br>80%   |
| Risk-free interest                | 3.34% -<br>4.51%                                    | 4.46% -<br>5.3%  |
| Dividend yield                    | 0%  | 0%   |
| Expected life of up to<br>(years) | 5 - 6   | 4 - 5  |
| Forfeiture rate                   | 0%  | 0%   |

b) Restricted shares to directors:

On May 27, 2005, the Company issued to two of its directors 200,000 restricted shares (100,000 each). The restricted shares are subject to the Company's right to repurchase them at a purchase price of par value (\$0.00005). The restrictions of the shares shall lapse in three annual and equal portions commencing with the grant date.

On May 2, 2006, the Company issued to two of its directors 200,000 restricted shares (100,000 each). The restricted shares are subject to the Company's right to repurchase them at a purchase price of par value (\$0.00005). The restrictions of the shares shall lapse in three annual and equal portions commencing with the grant date. The compensation related to the shares issued amounted to \$104 which will be amortized over the vesting period as general and administrative expense.

On April 20, 2007, based on a Board resolution dated March 21, 2007, the Company issued to a director 100,000 restricted shares. The restricted shares are subject to the Company's right to repurchase them at a purchase price of par value (\$0.00005). The restrictions of the shares shall lapse in three annual and equal portions commencing with the grant date. The compensation related to the shares issued amounted to \$47 which will be amortized over the vesting period as general and administrative expense.

On April 20, 2007, based on a Board resolution dated March 21, 2007, the Company issued to another director 100,000 shares. The shares are fully vested. The compensation related to the shares issued amounted to \$47 and was recorded as general and administrative expense.

Explanation of Responses:

3. Shares and warrants to service providers:

The Company accounts for shares and warrant grants issued to non-employees using the guidance of SFAS 123(R), "Accounting for Stock-Based Compensation" and EITTF 96-18, "Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling, Goods or Services," whereby the fair value of such option and warrant grants is determined using a Black-Scholes options pricing model at the earlier of the date at which the non-employee's performance is completed or a performance commitment is reached.

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**NOTE 11:-****STOCK CAPITAL (Cont.)**

| Issuance date              | Number<br>of<br>warrants<br>issued | a)        |           | Outstanding | Warrants:               |                         |                              |
|----------------------------|------------------------------------|-----------|-----------|-------------|-------------------------|-------------------------|------------------------------|
|                            |                                    | Exercised | Forfeited |             | Exercise<br>price<br>\$ | Warrants<br>exercisable | Exercisable<br>through       |
| November 2004              | 12,800,845                         | 2,181,925 |           | 10,618,920  | 0.01                    | 10,618,920              | November 2012                |
| December 2004              | 1,800,000                          | 900,000   |           | 900,000     | 0.00005                 | 900,000                 | December 2014                |
|                            | 14,600,845                         | 3,081,925 |           | 11,518,920  |                         | 11,518,920              |                              |
| February 2005              | 1,894,808                          |           |           | 1,894,808   | 2.5                     | 1,894,808               | February 2008                |
| May 2005                   | 47,500                             |           |           | 47,500      | 1.62                    | 47,500                  | May 2010                     |
| June 2005                  | 30,000                             |           |           | 30,000      | 0.75                    | 30,000                  | June 2010                    |
| August 2005                | 70,000                             |           |           | 70,000      | 0.15                    | 70,000                  | August 2008                  |
| September 2005             | 3,000                              | 3,000     |           | -           | 0.15                    | -                       | -                            |
| September 2005             | 36,000                             |           |           | 36,000      | 0.75                    | 27,978                  | September 2010               |
| September-December<br>2005 | 500,000                            |           |           | 500,000     | 1                       | 500,000                 | September -<br>December 2008 |
| December 2005              | 20,000                             | 20,000    |           | -           | 0.15                    | -                       | -                            |
| December 2005              | 457,163                            |           |           | 457,163     | *) 0.15                 | 311,873                 | July 2010                    |
|                            | 17,659,316                         | 3,104,925 |           | 14,554,391  |                         | 14,401,079              |                              |
| February 2006              | 230,000                            |           |           | 230,000     | 0.65                    | 76,666                  | February 2008                |
| February 2006              | 40,000                             |           |           | 40,000      | 1.5                     | 40,000                  | February 2011                |
| February 2006              | 8,000                              |           |           | 8,000       | 0.15                    | 8,000                   | February 2011                |
| February 2006              | 189,000                            | 97,696    | 91,304    | -           | 0.5                     | -                       | -                            |
| May 2006                   | 50,000                             |           |           | 50,000      | 0.0005                  | 50,000                  | May 2016                     |
| May -December<br>2006      | 48,000                             |           |           | 48,000      | 0.35                    | 48,000                  | May - December<br>2011       |
| May -December<br>2006      | 48,000                             |           |           | 48,000      | 0.75                    | 48,000                  | May - December<br>2011       |
| May 2006                   | 200,000                            |           |           | 200,000     | 1                       | 200,000                 | May 2011                     |
| June 2006                  | 24,000                             |           |           | 24,000      | 0.15                    | 24,000                  | June 2011                    |
| May 2006                   | 19,355                             |           |           | 19,355      | 0.15                    | 19,355                  | May 2011                     |
| October 2006               | 630,000                            | 630,000   |           | -           | 0.3                     | -                       | -                            |
| December 2006              | 200,000                            |           |           | 200,000     | 0.45                    | 200,000                 | December 2008                |
|                            | 19,345,671                         | 3,832,621 | 91,304    | 15,421,746  |                         | 15,115,100              |                              |

Explanation of Responses:

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|                |            |             |           |            |            |                            |
|----------------|------------|-------------|-----------|------------|------------|----------------------------|
| March 2007     | 200,000    |             | 200,000   | 0.47       | 200,000    | March 2012                 |
| March 2007     | 500,000    |             | 500,000   | 0.47       | 130,137    | March 2017                 |
| March 2007     | 50,000     |             | 50,000    | 0.15       | 50,000     | March 2010                 |
| March 2007     | 15,000     |             | 15,000    | 0.15       | -          | February 2012              |
| February 2007  | 50,000     |             | 50,000    | 0.45       | 50,000     | February 2009              |
| March 2007     | 225,000    |             | 225,000   | 0.45       | 225,000    | March 2009                 |
| March 2007     | 50,000     |             | 50,000    | 0.45       | 50,000     | March 2010                 |
| April 2007     | 33,300     |             | 33,300    | 0.45       | 33,300     | April 2009                 |
| May 2007       | 250,000    | ** )250,000 | -         | 0.45       | -          | -                          |
| July 2007      | 500,000    |             | 500,000   | 0.39       | 83,562     | July 2017                  |
| September 2007 | 500,000    |             | 500,000   | 0.15       | 125,000    | August 2017                |
| August 2007    | 7,562,500  |             | 7,562,500 | 0.2        | 7,562,500  | November 2011              |
| July 2007      | 30,000     |             | 30,000    | 0.45       | 30,000     | July 2009                  |
| July 2007      | 100,000    |             | 100,000   | 0.45       | 100,000    | July 2010                  |
| October 2007   | 200,000    |             | 200,000   | 0.15       | -          | August - October<br>- 2017 |
| November 2007  | 2,520,833  |             | 2,520,833 | 0.20       | 2,520,833  | November 2011              |
| November 2007  | 2,016,667  |             | 2,016,667 | 0.29       | 2,016,667  | November 2011              |
|                | 34,148,971 | 3,832,621   | 341,304   | 29,975,046 | 28,292,099 |                            |

\*) On May 2, 2006, the Company's Board approved to reprice the exercise price of 457,163 options granted to certain service providers from \$0.7 to \$0.15 per share.

\*\*) See Note 8i.

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**BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY**  
**(A development stage company)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. dollars in thousands (except share data)**

**NOTE 11:- STOCK CAPITAL (Cont.)**

The fair value for the warrants to service providers was estimated on the date of grant using a Black-Scholes option pricing model, with the following weighted-average assumptions for the year ended December 31, 2007 and for the nine months ended December 31, 2006; weighted average volatility of 108%, 93%-115% and 67%-80%, respectively, risk free interest rates of 3.3%-4.5% and 4.5%-5.3%, respectively dividend yields of 0% and a weighted average life of the options of 61.7 and 4-5 years, respectively.

b)

Shares:

On June 1 and June 4, 2004, the Company issued 40,000 and 150,000 shares of Common Stock for 12 months of filing services and legal and due-diligence services, respectively, with respect to a private placement. Compensation expense related to filing services, totaling \$26, is amortized over a 12-month period. Compensation related to legal services, totaling \$105 was recorded as equity issuance cost and had no effect on the statement of operations.

On July 1 and September 22, 2004, the Company issued 20,000 and 15,000 shares to a former director for financial services for the first and second quarters of 2004, respectively. Related compensation in the amount of \$39 was recorded as general and administrative expense.

On February 10, 2005, the Company signed an agreement with one of its service providers according to which the Company issued the service provider 100,000 restricted shares at a purchase price of \$0.00005 par value under the U.S Stock Option and Incentive Plan of the Company. The restricted shares are subject to the Company's right to repurchase them within one year of the grant date as follows: (i) in the event that the service provider breaches his obligations under the agreement, the Company shall have the right to repurchase the restricted shares at a purchase price equal to par value; and (ii) in the event that the service provider has not breached his obligations under the agreement, the Company shall have the right to repurchase the restricted shares at a purchase price equal to the then fair market value of the restricted shares.

In March and April 2005, the Company signed an agreement with four members of its Scientific Advisory Board according to which the Company issued to the members of the Scientific Advisory Board 400,000 restricted shares at a purchase price of \$0.00005 par value under the U.S Stock Option and Incentive Plan (100,000 each). The restricted shares will be subject to the Company's right to repurchase them if the grantees cease to be members of the Company's Advisory Board for any reason. The restrictions of the shares shall lapse in three annual and equal portions commencing with the grant date.

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**BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY**  
**(A development stage company)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. dollars in thousands (except share data)**

**NOTE 11:- STOCK CAPITAL (Cont.)**

In July 2005, the Company issued to its legal advisors 50,000 shares for legal services for 12 months. The compensation related to the shares in the amount of \$37.5 was recorded as general and administrative expense.

In January 2006, the Company issued to two service providers 350,000 restricted shares at a purchase price of \$0.00005 par value under the U.S Stock Option and Incentive Plan of the Company. The restricted shares are subject to the Company's right to repurchase them within 12 months from the grant date as follows: (i) in the event that the service providers breach their obligations under the agreement, the Company shall have the right to repurchase the restricted shares at a purchase price equal to the par value; and (ii) in the event that the service providers have not breached their obligations under the service agreements, the Company shall have the right to repurchase the restricted shares at a purchase price equal to the fair market value of the restricted shares. Related compensation in the amount of \$23 was recorded as general and administrative expense.

On March 6, 2006, the Company issued to its legal advisor 34,904 shares of Common Stock. The shares are in lieu of \$18.5 payable to the legal advisor. Related compensation in the amount of \$18.5 was recorded as general and administrative expense.

On April 13, 2006, the Company issued to service providers 60,000 shares at a purchase price of \$0.00005 par value under the U.S Stock Option and Incentive Plan of the Company. Related compensation in the amount of \$25.8 was recorded as general and administrative expense.

On May 9, 2006, the Company issued to its legal advisor 65,374 shares of Common Stock in lieu of payment for legal services. Related compensation in the amount of \$33 was recorded as general and administrative expense.

On June 7, 2006, the Company issued 50,000 shares of Common Stock for filing services for 12 months. Related compensation in the amount of \$24.5 was recorded as general and administrative expense.

On May 5, 2006, the Company issued 200,000 shares to a finance consultant for his services. Related compensation in the amount of \$102 was recorded as general and administrative expense.

On August 14, 2006, the Company issued 200,000 shares to a service provider. Related compensation in the amount of \$68 was recorded as general and administrative expense.

On August 17, 2006, the Company issued 100,000 shares to a service provider. Related compensation in the amount of \$35 was recorded as general and administrative expense.

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**BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY**  
**(A development stage company)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. dollars in thousands (except share data)**

**NOTE 11:- STOCK CAPITAL (Cont.)**

On September 17, 2006, the Company issued to its legal advisor 231,851 shares of Common Stock. The shares are in lieu of \$63 payable to the legal advisor.

During April 1 and September 30, 2006, the Company issued to its business development advisor, based on an agreement, 240,000 shares of Common Stock. Related compensation in the amount of \$74 was recorded as general and administrative expense.

On January 3, 2007, the Company issued to its legal advisor 176,327 shares of Common Stock. The shares are for the \$45 payable to the legal advisor. Related compensation in the amount of \$49 was recorded as general and administrative expense.

On April 12, 2007, the Company issued to its filing and printing service providers 80,000 shares of Common Stock. The shares issued are for the \$15 payable to the service provider. Related compensation in the amount of \$30 was recorded as general and administrative expense. In addition, the Company is obligated to issue the filing and printing service providers additional shares, in the event that the total value of the shares previously issued (as quoted on the Over-the-Counter Bulletin Board or such other exchange where the Common Stock is quoted or listed) is less than \$0.20, on March 20, 2008. In no event shall the Company issue more than 30,000 additional shares to the service providers. As a result, the Company recorded a liability in the amount of \$20.

On April 12, 2007, the Company issued to its legal advisor 108,511 shares of Common Stock. The shares are for \$29 payable to the legal advisor. Related compensation in the amount of \$40 was recorded as general and administrative expense.

On May 18, 2007, the Company issued to its legal advisor 99,257 shares of Common Stock. The shares are for \$33, payable to the legal advisor. Related compensation in the amount of \$33 was recorded as general and administrative expense.

On May 28, 2007, the Company issued 210,812 shares to a stockholder pursuant to a conversion request of the entire accrued principal and interest amount of a \$51 Convertible Promissory Note issued to such stockholder on February 5, 2007 (see Note 8e).

On June 27, 2007, the Company issued 225,346 shares to a third party pursuant to a conversion request of the entire accrued principal and interest amount of a \$51 Convertible Promissory Note issued to such investor on March 14, 2007 (see Note 8g).

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**BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY**  
**(A development stage company)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. dollars in thousands (except share data)**

**NOTE 11:- STOCK CAPITAL (Cont.)**

On September 5, 2007, the Company issued 289,722 shares of Common Stock to a third party pursuant to a conversion request of the entire accrued principal and interest amount of a \$101 Convertible Promissory Note issued to such investor on July 3, 2007 (see Note 8k) .

On October 29, 2007, the Company issued to a scientific advisory board member 80,000 shares of the Company's Common Stock for scientific services. Compensation of \$67 was recorded as research and development expense.

A summary of the Company's stock awards activity related to shares issued to service providers and related information is as follows:

|                                    | <b>Year ended<br/>December 31,<br/>2007</b> |  | <b>Nine months ended<br/>December 31,<br/>2006</b> |  | <b>Nine months ended<br/>December 31,<br/>2005 (unaudited)</b> |  |
|------------------------------------|---|--|--|--|--|--|
|                                    | <b>Amount of<br/>shares</b>                 | <b>Weighted<br/>average<br/>issue price<br/>\$</b> | <b>Amount of<br/>shares</b>                        | <b>Weighted<br/>average<br/>issue price<br/>\$</b> | <b>Amount of<br/>shares</b>                                    | <b>Weighted<br/>average<br/>issue price<br/>\$</b> |
| Outstanding at beginning of period | 2,307,129                                   | 0.97   | 1,159,904  | 1.56   | 525,000  | 1.95   |
| Issued                             | 544,095                                     | 0.40   | 1,147,225  | 0.37   | 250,000  | 2.32   |
| Outstanding at end of period       | 2,851,224                                   | 0.86   | 2,307,129  | 0.97   | 775,000  | 2.07   |

c) Stock-based compensation recorded by the Company in respect of shares and warrants granted to service providers amounted to \$1,466 and \$454 for the year ended December 31, 2007 and for the nine months ended December 31, 2006, respectively.

4. The total stock-based compensation expense, related to shares, options and warrants granted to employees and service providers, was comprised, at each period, as follows:

|  | <b>Year ended<br/>December 31,<br/>2007</b> | <b>Nine months ended<br/>December 31,<br/>2006</b> | <b>Nine months ended<br/>December 31,<br/>2005</b> | <b>Period from<br/>September 22,<br/>2000<br/>(inception<br/>date)<br/>through<br/>December 31,<br/>2007</b> |
|--|---|--|--|--|
|--|---|--|--|--|

**Unaudited**

|  |       |       |       |        |
|--|-------|-------|-------|--------|
| Research and development               | 783   | (131) | 72    | 16,406 |
| General and administrative             | 1,895 | 1,331 | 1,017 | 7,074  |
| Financial expenses, net                | 20    | -     | -     | 20     |
| Total stock-based compensation expense | 2,698 | 1,200 | 1,089 | 23,500 |

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**BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY**  
**(A development stage company)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. dollars in thousands (except share data)**

**NOTE 12:- TAXES ON INCOME**

- a. Tax rates applicable to the income of the subsidiary:

In June 2004, an amendment to the Income Tax Ordinance (No. 140 and Temporary Provision), 2004 was passed by the "Knesset" (Israeli parliament) and on July 25, 2005, another law was passed, the amendment to the Income Tax Ordinance (No. 147) 2005, according to which the corporate tax rate is to be progressively reduced to the following tax rates: 2004 - 35%, 2005 - 34%, 2006 - 31%, 2007 - 29%, 2008 - 27%, 2009 - 26%, 2010 and thereafter - 25%.

- b. Tax laws applicable to the income of the Subsidiary :

Income Tax (Inflationary Adjustments) Law, 1985:

According to the law, the results for tax purposes are measured based on the changes in the Israeli Consumer Price Index ("CPI").

The Law for the Encouragement of Capital Investments, 1959 ("the Law"):

According to the Law, BCT is entitled to various tax benefits by virtue of "beneficiary enterprise" status granted, as defined by this Law.

In March 2005, the Israeli Parliament passed the Arrangements Law for fiscal year 2005, which includes a broad and comprehensive amendment to the provisions of the above Law ("Amendment No. 60 to the Law").

The principal benefits by virtue of the Law are:

Tax benefits and reduced tax rates under the Alternative Track of Benefits:

The Company is tax exempt for a benefit period of two years and in the five/eight subsequent years of the benefit period is subject to a reduced tax rate of 10%-25%.

The basic condition for receiving the benefits under this track is for the enterprise to be a "competitive enterprise".

Another condition for receiving the benefits under the alternative track pursuant to Amendment No. 60 to the Law is a minimum qualifying investment. This condition requires an investment in the acquisition of productive assets such as machinery and equipment (and for hotels, buildings as well), which must be carried out within three years. The minimum qualifying investment required for setting up a plant is NIS 300 thousand.



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**BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY**  
**(A development stage company)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. dollars in thousands (except share data)**

**NOTE 12:- TAXES ON INCOME (Cont.)**

The income qualifying for tax benefits under the alternative track is the taxable income of a company that has met certain conditions as determined by the Amendment ("a beneficiary company"), and which is derived from an industrial enterprise or a hotel. The Amendment specifies the types of qualifying income that are entitled to tax benefits under the alternative track both in respect of an industrial enterprise and of a hotel, whereby income from an industrial enterprise includes, among others, revenues from the production and development of software products and revenues from industrial research and development activities performed for a foreign resident (and approved by the Head of the Administration of Industrial Research and Development).

The benefit period begins in the year in which taxable income is first earned, limited to a period ending the earlier of 12 years from the year that BCT began operations, or 14 years from the year in which the approval was granted.

Conditions for the entitlement to the benefits:

The above benefits are conditional upon the fulfillment of the conditions stipulated by the Law and regulations published thereunder. In the event of failure to comply with these conditions, the benefits may be canceled and a company may be required to refund the amount of the benefits, in whole or in part, including interest. Management believes that BCT upholds the aforementioned conditions.

c. Changes in the tax laws applicable to the income of the Subsidiary:

In February 2008, the "Knesset" (Israeli parliament) passed an amendment to the Income Tax (Inflationary Adjustments) Law, 1985, which limits the scope of the law beginning in 2008 and thereafter. Beginning in 2008, the results for tax purposes will be measured in nominal values, excluding certain adjustments for changes in the Consumer Price Index carried out in the period up to December 31, 2007. The amended law includes, inter alia, the elimination of the inflationary additions and deductions and the additional deduction for depreciation starting in 2008.

d. Deferred income taxes:

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

|   | <b>December 31,</b> |             |
|---|---------------------|-------------|
|   | <b>2007</b>         | <b>2006</b> |
| Operating loss carryforward                       | 27,540              | 23,569      |
| Net deferred tax asset before valuation allowance | 12,215              | 10,416      |
| Valuation allowance                               | (12,215)            | (10,416)    |

Explanation of Responses:

|                        |   |   |
|------------------------|---|---|
| Net deferred tax asset | - | - |
|------------------------|---|---|

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**BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY**  
**(A development stage company)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. dollars in thousands (except share data)**

**NOTE 12:- TAXES ON INCOME (Cont.)**

As of December 31, 2007, the Company has provided valuation allowances of \$12,215 in respect of deferred tax assets resulting from tax loss carryforward and other temporary differences. Management currently believes that since the Company has a history of losses, it is more likely than not that the deferred tax regarding the loss carryforward and other temporary differences will not be realized in the foreseeable future.

e. Available carryforward tax losses:

As of December 31, 2007, the Company has an accumulated tax loss carryforward of approximately \$9,603. Carryforward tax losses in the U.S. can be carried forward and offset against taxable income in the future for a period of 20 years. Utilization of U.S. net operating losses may be subject to substantial annual limitations due to the "change in ownership" provisions of the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of net operating losses before utilization.

f. Loss from continuing operations, before taxes on income, consists of the following:

|               | <b>Year ended<br/>December 31,<br/>2007</b> | <b>Nine months<br/>ended<br/>December 31,<br/>2006</b> | <b>Nine months<br/>ended<br/>December 31,<br/>2005<br/>Unaudited</b> |
|---------------|---|--|--|
| United States | (5,007)                                     | (3,959)  | (2,639)  |
| Israel        | (1,237)                                     | 52   | 67   |
|               | (6,244)                                     | (3,907)  | (2,572)  |

g. Taxes on income included in the statements of operations:

|                       |   |    |    |
|-----------------------|---|----|----|
| <b>Current taxes:</b> |   |    |    |
| Israel                | - | 17 | 23 |
|                       | - | 17 | 23 |

h. The Company files income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. The Company is not currently subject to any IRS or state tax examinations but years 2001-2006 remain open for examination.

The Company adopted the provisions of FIN 48 on January 1, 2007. The Company has accumulated tax loss carryforwards of approximately \$9,603 and has taken a full valuation allowance against deferred tax assets. As a result, there are no tax benefits existing subject to adjustment under FIN 48.

Explanation of Responses:

- g. BCT has not received final tax assessments since its incorporation.

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**BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY**  
(A development stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands (except share data)

**NOTE 13:- TRANSACTIONS WITH RELATED PARTIES**

|    | Year ended<br>December 31,<br>2007          | Nine months<br>ended<br>December 31,<br>2006 | Nine months<br>ended<br>December 31,<br>2005<br>Unaudited |
|----|---|--|---|
| a. | 128   | 77   | 16  |
| b. | (3)   | 3  | -   |
| c. | As for transactions with Ramot, see Note 3. |  |   |

**NOTE 14:- SUBSEQUENT EVENTS**

a. In April 2008, pursuant to the investment agreement (see Note 11b(1)(f)), the investor completed a third payment to the Company of \$750.

b. On February 7, 2008, the Company's Board passed the following resolutions:

1. Issuance of 90,000 restricted shares to a related party. The shares are for the \$35 unpaid debt to the related party for an introduction fee for two convertible loans granted to the Company.
2. Grant of options to purchase 170,000 shares of Common Stock to its employees at an exercise price of \$0.49 per share. The options shall be vested in 3 equal installments on the first, second and third anniversaries of the day of grant and shall be exercisable over a period of 10 years.
3. Provide the Company's president a salary of 37,450 New Israeli Shekel (approximately \$10,400) per month starting February 15, 2008.
4. On February 18, 2008, the Company issued 75,937 shares to a third party pursuant to a conversion request of the entire accrued principal and interest amount of a \$27 Convertible Promissory Note issued to such investor on April 10, 2007 (see Note 8h).

5. On February 21, 2008, the Company issued 619,523 shares to a third party pursuant to a conversion request of the entire accrued principal and interest amount of a \$217 Convertible Promissory Note issued to such investor on December 12, 2006 (see Note 8c).

Table of Contents**NOTE 14:-****SUBSEQUENT EVENTS (Cont.)**

c. On April 13, 2008, the Company entered into a new agreement with a lender pursuant to which the lender agreed to partially defer and partially convert to the Company's Common Stock the payment of \$1,250 owed by the Company to the lender based on the payment agreement between the two parties (see Note 8a).

Pursuant to the new agreement, the Company agreed to pay \$250 of the Debt in accordance with the following schedule:

| <b><u>Payment Date</u></b> | <b><u>Amount</u></b> |
|----------------------------|----------------------|
| May 30, 2008               | 50                   |
| July 31, 2008              | 50                   |
| September 30,<br>2008      | 50                   |
| December 31,<br>2008       | 50                   |
| February 28,<br>2009       | 50                   |

In addition, the Company will issue 2,857,142 shares of common stock to the lender in lieu of the repayment of \$1,000 of the Debt.

The lender agreed that upon payment of the foregoing amounts in accordance with the foregoing schedule and the receipt of the stock grant, all of the Company's outstanding obligations owed to the lender under the notes will be satisfied in full. The lender also waived any breach or default that may have arisen prior to the date of the new agreement from the failure of the Company to make payments to the lender under any of past agreements.

**Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

None.

**Item 8A(T). Controls and Procedures.**

*Evaluation of Disclosure Controls and Procedures*

As of the end of the period covered by this annual report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective, as of the end of the period covered by this report, to ensure that information required to be disclosed by us in the reports we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that the information required to be disclosed by us in such reports is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

*Management's Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2007 based on the criteria set forth in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

A material weakness is a control deficiency, or combination of control deficiencies in internal control over financial reporting, that results in more than a remote likelihood that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected. Management identified the following material weakness in its assessment of the effectiveness of internal control over financial reporting as of December 31, 2007:

- The Company did not maintain effective controls over certain aspects of the financial reporting process because we lacked a sufficient complement of personnel with a level of accounting expertise and an adequate supervisory review structure that is commensurate with the Company's financial reporting requirements. Specifically, our Chief Financial Officer handles certain accounting issues of the Company alone as there is no one in our accounting and finance departments who is qualified to assist him.

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

*Management's Remediation Initiatives*

We plan to develop policies and procedures for training of personnel or external advisers to verify that we have a sufficient number of personnel with knowledge, experience and training in the application of generally accepted accounting principles commensurate with our financial reporting and U.S. GAAP requirements. Where necessary, we will supplement personnel with qualified external advisors. Additionally, where appropriate, we plan to identify



training on accounting principles and procedures that would benefit our accounting and finance personnel.

*Changes in Internal Control Over Financial Reporting*

There were no changes in our internal control over financial reporting that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

*Internal Control Enhancements Implemented During the Fiscal Year Ended December 31, 2007*

During the fiscal year ended December 31, 2007, we hired a full-time bookkeeper and salary controller with relevant accounting experience, skills and knowledge, thereby increasing internal accounting expertise. We believe that this new hire is assisting us in addressing the material weakness identified above.

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We also implemented a new ERP software system that strengthens our internal control over financial reporting. The Company started to work with the new ERP system on January 1, 2008.

*Inherent Limitations on Internal Control*

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

**Item 8B. Other Information.**

On April 13, 2008, we entered into an agreement with Vivian Shaltiel pursuant to which Ms. Shaltiel agreed to partially defer and partially convert to equity the payment of \$1,250,000 (the "Debt") owed by the Company to Ms. Shaltiel pursuant to: (i) a Convertible Promissory Note, dated February 7, 2006, in the original principal amount of \$500,000, (ii) a Convertible Promissory Note, dated June 5, 2006, in the original principal amount of \$500,000, (iii) a Convertible Promissory Note, dated September 14, 2006, in the original principal amount of \$100,000 and (iv) an agreement by and between Ms. Shaltiel and the Company, dated as of September 10, 2007, and amended as of November 1, 2007, scheduling repayment of the above Convertible Promissory Notes on a deferred schedule (the "Deferral Agreement").

Pursuant to the agreement, the Company agreed to pay \$250,000 of the Debt in accordance with the following schedule:

|                    | <b>Payment Date</b> | <b>Amount</b> |
|--------------------|---------------------|---------------|
| May 30, 2008       |                     | \$ 50,000     |
| July 31, 2008      |                     | \$ 50,000     |
| September 30, 2008 |                     | \$ 50,000     |
| December 31, 2008  |                     | \$ 50,000     |
| February 28, 2009  |                     | \$ 50,000     |

In addition, the Company has issued 2,857,142 shares of common stock to Ms. Shaltiel in lieu of the repayment of \$1,000,000 of the Debt.

Ms. Shaltiel agreed that upon payment of the foregoing amounts in accordance with the foregoing schedule and the receipt of the stock grant, all of the Company's outstanding obligations owed to Ms. Shaltiel under the notes will be satisfied in full. Ms. Shaltiel also waived any breach or default that may have arisen prior to the date of the agreement from the failure of the Company to make payments to Ms. Shaltiel under any of the notes or the Deferral Agreement.

Table of Contents**PART III****Item 9. Directors and Executive Officers, Promoters, Control Persons and Corporate Governance; Compliance with Section 16(a) of the Exchange Act.**

Except as set forth below, for information required by Item 9 see the Definitive Proxy Statement which will be filed with the Securities and Exchange Commission and is incorporated herein by reference.

*Code of Ethics*

On May 27, 2005, our Board of Directors adopted a Code of Business Conduct and Ethics that applies to, among other persons, members of our Board of Directors, officers, employees, contractors, consultants and advisors. A copy of the Company's Code of Business Conduct and Ethics is posted on the Company's website at [www.brainstorm-cell.com](http://www.brainstorm-cell.com).

**Item 10. Executive Compensation.**

For information required by Item 10 see the Definitive Proxy Statement which will be filed with the Securities and Exchange Commission and is incorporated herein by reference.

**Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

Except as set forth below, for information required by Item 11 see the Definitive Proxy Statement which will be filed with the Securities and Exchange Commission and is incorporated herein by reference.

*Equity Compensation Plan Information*

The following table summarizes certain information regarding our equity compensation plans as of December 31, 2007:

| <b>Plan Category</b>                                       | <b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b> | <b>Weighted-average exercise price of outstanding options, warrants and rights</b> | <b>Number of securities remaining available for future issuance under equity compensation plans</b> |
|--|--|--|---|
| Equity compensation plans approved by security holders     | 8,221,778(1)\$   | 0.376  | 321,684 (2)   |
| Equity compensation plans not approved by security holders | 0  | 0  | 0   |
| <b>Total</b>   | <b>8,221,778(1)</b>  |  | <b>321,684 (2)</b>  |

(1) Does not include 600,000 shares of restricted stock that the Company has issued pursuant to the 2005 U.S. Stock Option and Incentive Plan to scientific advisory board members, directors, service providers, and consultants.

(2) A total of 9,143,462 shares of our common stock was reserved for issuance in aggregate under the 2004 Global Share Option Plan and the 2005 U.S. Stock Option and Incentive Plan. Any awards granted under the 2004 Global Share Option Plan or the 2005 U.S. Stock Option and Incentive Plan will reduce the total number of shares available for future issuance under the other plan.

Explanation of Responses:

**Item 12. Certain Relationships and Related Transactions, and Director Independence.**

For information required by Item 12 see the Definitive Proxy Statement which will be filed with the Securities and Exchange Commission and is incorporated herein by reference.

**Item 13. Exhibits.**

The Exhibits listed in the Exhibit Index immediately preceding such Exhibits are filed with or incorporated by reference in this report.

**Item 14. Principal Accountant Fees and Services.**

For information required by Item 14 see the Definitive Proxy Statement which will be filed with the Securities and Exchange Commission and is incorporated herein by reference.

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**SIGNATURES**

In accordance with 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.

**BRAINSTORM CELL THERAPEUTICS INC.**

*Date: April 13, 2008*

*By:*

*/s/ Rami Efrati*

*Name: Rami Efrati*

*Title: Chief Executive Officer*

In accordance with 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.

| <i>Signature</i>                                     | <i>Title</i>  | <i>Date</i>           |
|--|---|-----------------------|
| <i>/s/ Rami Efrati<br/>Rami Efrati</i>               | <i>Chief Executive Officer<br/>(Principal Executive Officer)</i>                | <i>April 13, 2008</i> |
| <i>/s/ David Stolick<br/>David Stolick</i>           | <i>Chief Financial Officer<br/>(Principal Financial and Accounting Officer)</i> | <i>April 13, 2008</i> |
| <i>/s/ Irit Arbel<br/>Irit Arbel</i>                 | <i>Director</i>   | <i>April 13, 2008</i> |
| <i>/s/ Jonathan C. Javitt<br/>Jonathan C. Javitt</i> | <i>Director</i>   | <i>April 14, 2008</i> |
| <i>/s/ Moshe Lion<br/>Moshe Lion</i>                 | <i>Director</i>   | <i>April 13, 2008</i> |
| <i>/s/ Robert Shorr<br/>Robert Shorr</i>             | <i>Director</i>   | <i>April 13, 2008</i> |

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**EXHIBIT INDEX**

| Exhibit No. | Description  |
|-------------|--|
| 2.1         | Agreement and Plan of Merger, dated as of November 28, 2006, by and between Brainstorm Cell Therapeutics Inc., a Washington corporation, and Brainstorm Cell Therapeutics Inc., a Delaware corporation, is incorporated herein by reference to Appendix A of the Company's Definitive Schedule 14A dated November 20, 2006 (File No. 333-61610). |
| 3.1         | Certificate of Incorporation of Brainstorm Cell Therapeutics Inc., a Delaware corporation, is incorporated herein by reference to Appendix B of the Company's Definitive Schedule 14A dated November 20, 2006 (File No. 333-61610).  |
| 3.2         | ByLaws of Brainstorm Cell Therapeutics Inc., a Delaware corporation, is incorporated herein by reference to Appendix C of the Company's Definitive Schedule 14A dated November 20, 2006 (File No. 333-61610).  |
| 3.3         | Amendment No. 1 to ByLaws of Brainstorm Cell Therapeutics Inc., dated as of March 21, 2007, is incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K dated March 27, 2007 (File No. 333-61610).  |
| 10.1        | Restricted Stock Purchase Agreement, dated as of April 28, 2003, by and between Irit Arbel and Michael Frankenberger is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8- K dated May 21, 2004 (File No. 333-61610).   |
| 10.2        | Letter of Intent, dated as of April 30, 2004, by and between the Company and Ramot at Tel Aviv University Ltd. is incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated May 21, 2004 (File No. 333-61610).  |
| 10.3        | Research and License Agreement, dated as of July 8, 2004, by and between the Company and Ramot at Tel Aviv University Ltd. is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated July 8, 2004 (File No. 333-61610).  |
| 10.4        | Research and License Agreement, dated as of March 30, 2006, by and between the Company and Ramot at Tel Aviv University Ltd. is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated March 30, 2006 (File No. 333-61610).  |
| 10.5        | Amendment Agreement, dated as of May 23, 2006, to Research and License Agreement, by and between the Company and Ramot at Tel Aviv University Ltd. is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K/A dated March 30, 2006 (File No. 333-61610).  |
| 10.6        | Form of Common Stock Purchase Warrant, dated as of November 4, 2004, issued pursuant to Research and License Agreement with Ramot at Tel Aviv University Ltd. is incorporated herein by reference to Exhibit 4.07 of the Company's Current Report on Form 8-K/A dated November 4, 2004 (File No. 333-61610).                                     |
| 10.7        | Amendment Agreement, dated as of March 31, 2006, among the Company, Ramot at Tel Aviv University Ltd. and certain warrant holders is incorporated herein by reference to Exhibit 10.2 of the   |

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Company's Current Report on Form 8-K dated March 30, 2006 (File No. 333-61610).

- 10.8 Form of Common Stock Purchase Warrant, dated as of November 4, 2004, issued as a replacement warrant under the Amendment Agreement to Ramot at Tel Aviv University Ltd., is incorporated herein by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K dated March 30, 2006 (File No. 333-61610).
- 10.9 Second Amended and Restated Research and License Agreement, dated July 31, 2007, by and between the Company and Ramot at Tel Aviv University Ltd. is incorporated herein by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-QSB dated June 30, 2007 (File No. 333-61610).
- 10.10 Second Amended and Restated Registration Rights Agreement, dated August 1, 2007, by and between the Company and Ramot at Tel Aviv University Ltd. is incorporated herein by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10-QSB dated June 30, 2007 (File No. 333-61610).
- 10.11 Waiver and Release, dated August 1, 2007, executed by Ramot at Tel Aviv University Ltd. in favor of the Company is incorporated herein by reference to Exhibit 10.6 of the Company's Quarterly Report on Form 10-QSB dated June 30, 2007 (File No. 333-61610).
- 10.12 Amended and Restated Registration Rights Agreement, dated as of March 31, 2006, by and between the Company and certain warrant holders is incorporated herein by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K dated March 30, 2006 (File No. 333-61610).
- 10.13 Consulting Agreement, dated as of July 8, 2004, by and between the Company and Prof. Eldad Melamed is incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated July 8, 2004 (File No. 333-61610).

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- 10.14 Consulting Agreement, dated as of July 8, 2004, by and between the Company and Dr. Daniel Offen is incorporated herein by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K dated July 8, 2004 (File No. 333-61610).
- 10.15 Form of Warrant to purchase common stock dated as of November 4, 2004 issued pursuant to consulting agreements with Prof. Eldad Melamed and Dr. Daniel Offen is incorporated herein by reference to Exhibit 4.08 of the Company's Current Report on Form 8-K/A dated November 4, 2004 (File No. 333-61610).
- 10.16 Common Stock Purchase Agreement, dated as of October 22, 2004, by and between the Company and certain buyers is incorporated herein by reference to Exhibit 10.03 of the Company's Current Report on Form 8-K dated October 22, 2004 (File No. 333-61610).
- 10.17 Subscription Agreement, dated as of October 22, 2004, by and between the Company and certain buyers is incorporated herein by reference to Exhibit 10.04 of the Company's Current Report on Form 8-K dated October 22, 2004 (File No. 333-61610).
- 10.18 Form of Class A Common Stock Purchase Warrant to purchase common stock for \$1.50 per share, dated as of October 2004, issued to certain buyers pursuant to Common Stock Purchase Agreement with certain buyers is incorporated herein by reference to Exhibit 4.03 of the Company's Current Report on Form 8-K dated October 22, 2004 (File No. 333-61610).
- 10.19 Form of Class B Common Stock Purchase Warrant to purchase common stock for \$2.50 per share, dated as of October 2004, issued to certain buyers pursuant to Common Stock Purchase Agreement with certain buyers is incorporated herein by reference to Exhibit 4.04 of the Company's Current Report on Form 8-K dated October 22, 2004 (File No. 333-61610).
- 10.20\* Employment Agreement, dated as of November 8, 2004, by and between the Company and Dr. Yaffa Beck is incorporated herein by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K dated November 4, 2004 (File No. 333-61610).
- 10.21\* Termination Agreement and General Release, dated as of March 20, 2006, by and between the Company and Dr. Yaffa Beck is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated March 20, 2006 (File No. 333-61610).
- 10.22\* Employment Agreement, dated as of November 16, 2004, by and between the Company and Yoram Drucker is incorporated herein by reference to Exhibit 10.6 of the Company's Current Report on Form 8-K dated November 16, 2004 (File No. 333-61610).
- 10.23\* Termination Agreement, dated December 17, 2007, between the Registrant, Brainstorm Cell Therapeutics Ltd. and Yoram Drucker is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated December 17, 2007 (File No. 333-61610).
- 10.24 Consulting Agreement, dated as of December 23, 2004, by and between the Company and Malcolm E. Taub is incorporated herein by reference to Exhibit 10.7 of the Company's Current Report on Form 8-K dated December 23, 2004 (File No. 333-61610).
- 10.25 Common Stock Purchase Warrant, dated as of December 23, 2004, issued to Malcolm E. Taub is incorporated herein by reference to Exhibit 4.5 of the Company's Current Report on Form 8-K dated December 23, 2004 (File No. 333-61610).



- 10.26 Consulting Agreement, dated as of December 23, 2004, by and between the Company and Ernest Muller is incorporated herein by reference to Exhibit 10.8 of the Company's Current Report on Form 8-K dated December 23, 2004 (File No. 333-61610).
- 10.27 Common Stock Purchase Warrant, dated as of December 23, 2004, issued to Ernest Muller is incorporated herein by reference to Exhibit 4.6 of the Company's Current Report on Form 8-K dated December 23, 2004 (File No. 333-61610).
- 10.28\* Employment Agreement, dated as of January 16, 2005, by and between the Company and David Stolick is incorporated herein by reference to Exhibit 10.9 of the Company's Current Report on Form 8-K dated January 16, 2005 (File No. 333-61610).
- 10.29\* Employment Agreement, dated as of October 7, 2007, by and among Brainstorm Cell Therapeutics Ltd., the Registrant and Abraham Efrati is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K/A dated October 15, 2007 (File No. 333-61610).
- 10.30 Lease Agreement, dated as of December 1, 2004, among the Company, Petah Tikvah Science and Technology District 'A' Ltd., Petah Tikvah Science and Technology District 'B' Ltd. and Atzma and Partners Maccabim Investments Ltd. is incorporated herein by reference to Exhibit 10.10 of the Company's Quarterly Report on Form 10-QSB dated December 31, 2004 (File No. 333-61610).

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- 10.31 Form of Lock-up Agreement, dated as of March 21, 2005, by and between the Company and certain shareholders of the Company is incorporated herein by reference to Exhibit 10.10 of the Company's Current Report on Form 8-K dated March 21, 2005 (File No. 333-61610).
- 10.32 Form of Lock-up Agreement, dated as of March 26, 2006, by and between the Company and certain shareholders of the Company is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated March 26, 2006 (File No. 333-61610).
- 10.33\* The 2004 Global Share Option Plan is incorporated herein by reference to Exhibit 10.11 of the Company's Current Report on Form 8-K dated March 28, 2005 (File No. 333-61610).
- 10.34\* 2005 U.S. Stock Option and Incentive Plan is incorporated herein by reference to Exhibit 10.12 of the Company's Current Report on Form 8-K dated March 28, 2005 (File No. 333-61610).
- 10.35\* Option Agreement, dated as of December 31, 2004, by and between the Company and Yaffa Beck is incorporated herein by reference to Exhibit 10.13 of the Company's Current Report on Form 8-K dated March 28, 2005 (File No. 333-61610).
- 10.36\* Option Agreement, dated as of December 31, 2004, by and between the Company and Yoram Drucker is incorporated herein by reference to Exhibit 10.14 of the Company's Current Report on Form 8-K dated March 28, 2005 (File No. 333-61610).
- 10.37\* Option Agreement, dated as of December 31, 2004, by and between the Company and David Stolick is incorporated herein by reference to Exhibit 10.15 of the Company's Current Report on Form 8-K dated March 28, 2005 (File No. 333-61610).
- 10.38\* Amendment to Option Agreement, dated as of February 6, 2006, by and between the Company and David Stolick is incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated February 6, 2006 (File No. 333-61610).
- 10.39 Common Stock Purchase Warrant, dated as of May 16, 2005, issued to Trout Capital LLC is incorporated herein by reference to Exhibit 10.19 of the Company's Quarterly Report on Form 10-QSB dated June 30, 2005 (File No. 333-61610).
- 10.40 Restricted Stock Award Agreement under 2005 U.S. Stock Option and Incentive Plan issued by the Company to Scientific Advisory Board Members in April, 2005 is incorporated herein by reference to Exhibit 10.18 of the Company's Quarterly Report on Form 10-QSB dated June 30, 2005 (File No. 333-61610).
- 10.41 Form of Investor Questionnaire and Subscription Agreement, dated October 2005, by and between the Company and certain investors is incorporated herein by reference to Exhibit 10.20 of the Company's Current Report on Form 8-K dated September 30, 2005 (File No. 333-61610).
- 10.42 Form of Common Stock Purchase Warrant to purchase common stock for \$1.00 per share, dated as of September 2005, issued to certain investors pursuant to a private placement with certain investors is incorporated herein by reference to Exhibit 4.09 of the Company's Current Report on Form 8-K dated September 30, 2005 (File No. 333-61610).
- 10.43

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Form of Investor Questionnaire and Subscription Agreement, dated December 2005, by and between the Company and certain investors is incorporated herein by reference to Exhibit 10.21 of the Company's Current Report on Form 8-K dated December 7, 2005 (File No. 333-61610).

- 10.44 Form of Common Stock Purchase Warrant to purchase common stock for \$1.00 per share, dated as of December 2005, issued to certain investors pursuant to a private placement with certain investors is incorporated herein by reference to Exhibit 4.10 of the Company's Current Report on Form 8-K dated December 7, 2005 (File No. 333-61610).
- 10.45 Convertible Promissory Note, dated as of February 7, 2006, issued by the Company to Vivian Shaltiel is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated February 6, 2006 (File No. 333-61610).

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- 10.46 Convertible Promissory Note, dated as of June 5, 2006, issued by the Company to Vivian Shaltiel is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated June 5, 2006 (File No. 333-61610).
- 10.47 Amendment to Convertible Promissory Notes, dated as of June 13, 2006, by and between the Company and Vivian Shaltiel is incorporated herein by reference to Exhibit 10.42 of the Company's Annual Report on Form 10-KSB dated June 29, 2006 (File No. 333-61610).
- 10.48 Convertible Promissory Note, dated as of September 14, 2006, issued by the Company to Vivian Shaltiel is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated September 18, 2006 (File No. 333-61610).
- 10.49 Agreement, dated September 10, 2007, by and between the Company and Vivian Shaltiel is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on September 14, 2007 (File No. 333-61610).
- 10.50 Agreement, dated April 13, 2008, by and between the Company and Vivian Shaltiel.
- 10.51 Common Stock Purchase Warrant, dated as of October 3, 2006, issued by the Company to Double U Master Fund L.P. is incorporated herein by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-QSB dated November 14, 2006 (File No. 333-61610).
- 10.52 Convertible Promissory Note, dated as of December 13, 2006, issued by the Company to Eli Weinstein is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated December 19, 2006 (File No. 333-61610).
- 10.53 Common Stock Purchase Warrant, dated as of December 13, 2006, issued by the Company to Eli Weinstein is incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated December 19, 2006 (File No. 333-61610).
- 10.54 Collaboration Agreement, dated as of December 26, 2006, by and between the Company and Fundacion para la Investigacion Medica Aplicada is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated January 23, 2007. (File No. 333-61610).
- 10.55 Convertible Promissory Note, dated as of March 5, 2007, issued by the Company to Eli Weinstein is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated March 12, 2007 (File No. 333-61610).
- 10.56 Common Stock Purchase Warrant, dated as of March 5, 2007, issued by the Company to Eli Weinstein is incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated March 12, 2007 (File No. 333-61610).
- 10.57 8% Convertible Promissory Note, dated May 6, 2007, issued by the Company to ACCBT Corp. is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated May 10, 2007 (File No. 333-61610).
- 10.58 Common Stock Purchase Warrant, dated May 6, 2007, issued by the Company to ACCBT Corp. is incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated May 10, 2007 (File No. 333-61610).

- 10.59 Subscription Agreement, dated July 2, 2007, by and between the Company and ACCBT Corp. is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on July 5, 2007 (File No. 333-61610).
- 10.60 Form of Common Stock Purchase Warrant issued by the Company to ACCBT Corp. is incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on July 5, 2007 (File No. 333-61610).
- 10.61 Form of Registration Rights Agreement by and between the Company and ACCBT Corp. is incorporated herein by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed on July 5, 2007 (File No. 333-61610).
- 10.62 Form of Security Holders Agreement, by and between ACCBT Corp. and certain security holders of the Registrant is incorporated herein by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K filed on July 5, 2007 (File No. 333-61610).
- 10.63 Finder's Fee Agreement, dated as of October 29, 2007, by and between the Company and Tayside Trading Ltd.
- 21 Subsidiaries of the Company is incorporated herein by reference to Exhibit 21 of the Company's Transition Report on Form 10-KSB filed on March 30, 2007 (File No. 333-61610).
- 23 Consent of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global.
- 31.1 Certification by the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification by the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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\* Management contract or compensatory plan or arrangement filed in response to Item 13 of Form 10-KSB.