BRAINSTORM CELL THERAPEUTICS INC.
Form S-1
July 10, 2014

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

BRAINSTORM CELL THERAPEUTICS INC.

(Exact name of registrant as specified in its charter)

Delaware	**2836**	**20-8133057**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

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605 Third Avenue, 34th Floor

New York, NY 10158

(646) 666-3188

(Address, including zip code, and telephone number, including area code, of registrant’s principal executive offices)

Liat Sossover

Chief Financial Officer

c/o Brainstorm Cell Therapeutics Inc.

605 Third Avenue, 34th Floor

New York, NY 10158

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

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

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

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

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

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

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company þ

(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share		Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, $.00005 par value per Share(1)	84,000,000	$ 0.36	(2)	$ 30,240,000	$ 3,895

(1) Pursuant to Rule 416 under the Securities Act, this registration statement also covers such indeterminate number of additional shares of Common Stock as may be issuable with respect to the shares being registered hereunder as a result of any stock splits, stock dividends or similar transactions.

(2) Estimated solely for the purpose of calculating the registration fee, and based on the average of the high and low prices of the Common Stock on July 3, 2014 as reported on the Over-the-Counter Bulletin Board operated by the National Association of Securities Dealers Inc. in accordance with Rule 457(c) under the Securities Act of 1933.

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

Subject to Completion, Dated July 10, 2014

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

PROSPECTUS

BRAINSTORM CELL
THERAPEUTICS INC.

84,000,000 Shares of Common Stock

This prospectus relates to the following offerings by certain of our stockholders and warrantholders, which we refer to as "Selling Securityholders":

- the resale of up to 42,000,000 shares of common stock purchased in a private placement; and
- the resale of up to 42,000,000 shares of common stock that are issuable on exercise of the warrants that were acquired in a private placement.

Holders of the warrants may currently purchase one share of common stock for each warrant exercised. The exercise price and number of shares of common stock issuable upon exercise of the warrants is subject to further adjustment in certain circumstances.

We will not receive any proceeds from the sale of these securities, although we will receive the exercise price for any warrants that are exercised. We are registering securities for resale by the Selling Securityholders, but that does not necessarily mean that they will sell any of the securities. Any securities sold by the Selling Securityholders will be offered at market or privately negotiated prices.

The warrants are exercisable at $0.348 per warrant at any time on or before the third anniversary of the date of issuance.

Our common stock is traded on the OTCQB Marketplace, operated by OTC Markets Group, under the symbol “BCLI”. On July 9, 2014, the last reported sales price for our common stock was $0.38 per share.

Investing in our common stock involves a high degree of risk. You should review carefully the risks and uncertainties described under the heading “Risk Factors” beginning on page 8 of this prospectus, and under similar headings in any amendments or supplements to this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2014.

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ABOUT THIS PROSPECTUS

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information contained in this document may only be accurate on the date of this document.

As used herein, "we," "us," "our" or the "Company" refers to Brainstorm Cell Therapeutics Inc. and all of its consolidated subsidiaries.

PROSPECTUS SUMMARY

This summary provides an overview of selected information contained elsewhere in this prospectus and does not contain all of the information you should consider before investing in our securities. You should carefully read this prospectus and the registration statement of which this prospectus is a part in their entirety before investing in our securities, including the information discussed under "Risk Factors" beginning on page 8 and our financial statements and notes thereto that appear elsewhere in this prospectus.

Company Overview

We are a biotechnology company developing novel adult stem cell therapies for debilitating neurodegenerative disorders such as Amyotrophic Lateral Sclerosis (ALS, also known as Lou Gehrig's disease), Multiple Sclerosis (MS), and Parkinson's disease (PD). These diseases have limited treatment options and as such represent unmet medical needs.

We believe that NurOwn, our proprietary process for the propagation of Mesenchymal Stem Cells (MSC) and their differentiation into NeuroTrophic factor-(NTF) secreting cells (MSC-NTF), and their transplantation at, or near, the site of damage, offers the hope of effectively treating neurodegenerative diseases.

Our approach is considered safe based on our use of autologous cells, which are considered to be free of the risk of rejection. Furthermore, MSC are known to be safe with no risk of tumor formation. The use of adult stem cells is also free of the controversy associated with the use of embryonic stem cells in some countries.

Our core technology was developed in collaboration with prominent neurologist Prof. Eldad Melamed, former head of Neurology of the Rabin Medical Center and member of the Scientific Committee of the Michael J. Fox Foundation for Parkinson's Research, and expert cell biologist Prof. Daniel Offen of the Felsenstein Medical Research Center of Tel Aviv University.

Our wholly-owned Israeli subsidiary, Brainstorm Cell Therapeutics Ltd. (the Israeli Subsidiary), holds rights to commercialize the technology, through a licensing agreement with Ramot at Tel Aviv University Ltd. (Ramot), the technology licensing company of Tel Aviv University, Israel.

On February 8, 2010, our Israeli Subsidiary entered into an agreement with Hadasit Medical Research Services and Development Ltd., a subsidiary of the Hadassah Medical Organization (Hadassah), pursuant to which Hadassah provides the Israeli Subsidiary with lab services.

On February 17, 2010, our Israeli Subsidiary entered into an agreement with Hadassah and Professor Dimitrios Karussis (the Clinical Trial Agreement). Under the Clinical Trial Agreement, Hadassah and our personnel agreed to conduct a clinical trial to evaluate the safety and tolerability of our NurOwn cells in patients with ALS, in accordance with a protocol developed jointly by us and Professor Karussis.

In February 2011, the U.S. Food and Drug Administration (FDA) granted Orphan Drug designation to NurOwn for the treatment of ALS.

In June 2011, we initiated a Phase I/II clinical trial for the treatment of ALS with NurOwn at the Hadassah University Medical Center in Jerusalem (HUMC) with Principal Investigator Professor Dimitrios Karussis, after receiving approval from the Israeli Ministry of Health (MoH).

In July 2011, we entered into a Memorandum of Understanding with Massachusetts General Hospital (MGH) and the University of Massachusetts Medical School (UMass) in anticipation of applying for FDA approval to begin ALS human clinical trials in the United States. In March 2014, we entered into a definitive agreement with MGH in order to launch a Phase II clinical trial in the second quarter of 2014, and we expect to enter into a definitive agreement with UMass for the same.

In July 2012, together with Professor Karussis, we submitted an interim safety evaluation report to the Israeli MoH for the first 12 of 24 patients in the Phase I/II clinical trial. The report confirmed that our NurOwn therapy is safe, did not cause any adverse side effects, and some of the patients showed promising indications of clinical improvement.

In January 2013, the Israeli MoH approved a Phase IIa combined (intramuscular and intrathecal) treatment, dose-escalating trial, which we are currently conducting at HUMC. According to the protocol for this safety and preliminary efficacy trial, 12 early-stage ALS patients received both intramuscular and intrathecal injections of NurOwn cells in three cohorts with increasing doses between February and August 2013. The patients were followed for six months after transplantation. Due to medical and technical considerations, two additional patients were enrolled in the trial in late 2013, in order to preserve the originally planned protocol design. These two patients were treated at the beginning of the second quarter of 2014. The complete and final statistical analysis of the Phase IIa data is expected to be available after 6 months of follow up with the patients.

In January 2013, we also announced that we had successfully completed a 12-week repeat dose toxicity study with our NurOwn cells in mice. These repeat doses were prepared from frozen cells, using a proprietary method recently developed by the Company. We believe that our cryopreservation, or freezing, method will enable long-term storage, and production of repeat patient doses of NurOwn without the need for additional bone marrow aspirations. We believe that the positive data from the toxicity study in mice will support our efforts to obtain approval for a future repeat dose clinical study in ALS patients. The study was conducted at Harlan Israel's laboratories, according to Good Laboratory Practice (GLP) standards. The study protocol was approved by Israel's National Council for Animal Experimentation.

In March 2013, Principal Investigator Professor Dimitrios Karussis of Hadassah presented some of the data from the Phase I/II trial at the American Academy of Neurology Annual Meeting. The trial results analyzed to date confirmed the safety of the NurOwn Treatment and also demonstrated initial signs of possible efficacy. There was a slower decline in overall clinical and respiratory function, as measured by the ALS Functional Rating Score (ALSFRS-R) and Forced Vital Capacity (FVC) score respectively, in the six patients that received an intrathecal injection of the cells, in the six months following treatment as compared to the three months preceding treatment.

On March 14, 2013, we entered into a Memorandum of Understanding with the Mayo Clinic (Mayo) in Rochester, Minnesota, to participate as an additional clinical site in the multi-center Phase II ALS clinical trial in the USA. The team there will be led by Professor Anthony J. Windebank, Head of the Regenerative Neurobiology Laboratory in the Department of Neurology. In January 2014, we announced that we had entered into a definitive agreement with Mayo to conduct the trial and manufacture NurOwn cells in their cell processing cleanroom facility.

Effective April 3, 2013, our Israeli Subsidiary entered into a manufacturing agreement with Dana-Farber Cancer Institute (Dana-Farber) under which Dana-Farber's Connell and O'Reilly Cell Manipulation Core Facility will produce NurOwn in its cGMP-compliant clean rooms for the MGH and UMass clinical sites during our upcoming Phase II

ALS clinical trial in the United States.

On May 21, 2013, we submitted a safety report to the hospital Helsinki Committee (IRB) for the first group of (four) patients in our ongoing Phase IIa ALS clinical trial at the Hadassah Medical Center in Jerusalem, Israel.

In June 2013, we entered into a Memorandum of Understanding (MOU) with PRC Clinical, a Contract Research Organization (CRO) based in the San Francisco Bay Area, in anticipation of our planned Phase II multi-center ALS clinical trial in the United States.

On July 17, 2013, we received Orphan Medicinal Product Designation for NurOwn for the treatment of ALS from the European Commission.

On August 1, 2013, we announced that we submitted a favorable safety report to the hospital Helsinki Committee (IRB) for the second group of (four) patients in our ongoing Phase IIa ALS clinical trial at the Hadassah Medical Center in Jerusalem, Israel. We announced that the treatment was well tolerated and no serious adverse events were observed, except for one SAE (Serious Adverse Event, death due to cardiopulmonary arrest) that was reported as non-treatment related.

In September 2013, we announced that we had completed treatment of the 12 patients in our ALS Phase IIa NurOwn dose-escalating clinical trial. We have been informed that one patient in the study expired due to a medical condition unrelated to the Clinical Trial.

In October 2013, we launched our activities in the US in preparation of our Phase II multi-center clinical trial, with the initiation of the NurOwn technology transfer process to the Dana Farber Cancer Institute (DFCI). This process was completed on March 31, 2014.

On December 10, 2013, we announced that Prof. Karussis had presented some of his preliminary findings from our ALS Phase IIa NurOwn dose-escalating clinical trial at the 24th International Symposium on ALS/MND in Milan, Italy. According to Prof. Karussis, the safety data are "impressively positive," with only minimal and transient (procedure related) adverse events, even though the patients in this study were injected both intrathecally and intramuscularly with up to double the dose of NurOwn cells given in the Phase I trial. In addition, a number of patients showed some initial indications of clinical improvement.

In December 2013, the Company submitted an Investigational New Drug (IND) application to the FDA.

On December 4, 2013, a Notice of Intention to Grant from the European Patent Office (EPO) was issued for the Company's patent application entitled "Isolated Cells and Populations Comprising Same for the Treatment of CNS Diseases" (European serial number EP06766101.7). This patent relates to the production method for the Company's proprietary stem cells induced to secrete large quantities of neurotrophic factors for the treatment of neurodegenerative diseases.

On February 11, 2014, a Notice of Allowance was issued from the U.S. Patent Office for the same patent application as above, U.S. serial number 11/727,583.

On March 24, 2014, the Israeli Subsidiary entered into a clinical trial agreement with The General Hospital Corporation d/b/a Massachusetts General Hospital (MGH), to conduct a Phase II clinical trial of the Company’s

NurOwn in ALS, pending FDA and Institutional Review Board (IRB) approvals.

In March 2014, the U.S. Patent and Trademark Office granted the Company a key patent for its autologous stem cell technology. The patent covers the Company's stem cells induced to secrete elevated levels of neurotrophic factors for the treatment of neurodegenerative diseases.

On April 10, 2014, the Company announced that the U.S. Patent and Trademark Office granted the Company an additional patent for its autologous stem cell technology. The patent covers the production method of the Company's proprietary stem cells induced to secrete significantly elevated levels of neurotrophic factors for the treatment of neurodegenerative diseases.

On April 8, 2014, the FDA approved commencement of its Phase II clinical trial with NurOwn in patients with ALS. On June 6, 2014, the Company issued a press release announcing that its Phase II ALS clinical trial has now commenced with the enrollment of the first patient at MGH in Boston, Massachusetts. The Company’s Phase II trial is a randomized, double-blind, placebo controlled multi-center study designed to evaluate the safety and efficacy of transplantation of Autologous Mesenchymal Stem Cells Secreting Neurotrophic Factors (MSC-NTF or NurOwn) in 48 ALS patients. The trial is also being conducted at the UMass Memorial Hospital in Worcester, Massachusetts and the Mayo Clinic in Rochester, Minnesota.

On June 1, 2014, the interim results from our Phase IIa ALS trial conducted at Hadassah Medical Center in Jerusalem, Israel were presented at the Joint Congress of European Neurology by Principal Investigator Professor Dimitrios Karussis. The positive safety and preliminary efficacy results observed in this study are consistent with results observed in the Company's previous Phase I/II trial. Between these two studies, a total of 26 patients have been treated with NurOwn, the Company's stem cell therapy candidate for ALS. In all 26 patients who received NurOwn™ in the two trials, no treatment-related serious adverse events were observed. In the three month pre-treatment "run-in" period, 71% of the patients showed progression of disease with decline in neurological function. In contrast, in the three months post-transplantation with NurOwn, 63% of the patients who received intrathecal (IT), or combined IT and intramuscular (IM) administration, showed stabilization or improvement in neurological function, as measured by their revised ALS functional rating score (ALSFRS-R). Additionally, as Prof. Karussis discussed during his presentation, in both phases of the trial, 63% of the patients treated with NurOwn via IT or combined IT and IM administration were defined as "responders" (slower progression of disability or improvement in their neurological function) at 3 months post-treatment, based on both their ALSFRS-R score and Forced Vital Capacity (FVC), an indication of respiratory function. The six patients treated with NurOwn in the earlier Phase I/II trial via IM administration only, primarily exhibited a localized positive effect. Similarly, in the same Phase I/II trial, the IT transplanted patients also showed indications of neurotrophic and regenerative effects, as evidenced by an increase in Compound Muscle Action Potential (CMAP).

On June 6, 2014, the Company announced that the first patient had been enrolled in its Phase II ALS trial at MGH in Boston.

On June 6, 2014, the Company appointed Uri Yablonka as its Chief Operating Officer and director.

On June 9, 2014, the Company appointed Dr. Anthony (Tony) Fiorino as its Chief Executive Officer.

On June 10, 2014, the Company announced that it has initiated a study in a mouse model of autism at the Felsenstein Medical Research Center, Sackler Faculty of Medicine, Tel Aviv University, under the direction of Professor Daniel Offen. The study will explore the effects of the Company's MSC-NTF cells on mouse behavior. The study, which will be conducted using the BTBR mouse model for autism, will investigate repetitive behavior, increased cognitive flexibility and improved sociability in mice after administration of a single intracerebroventricular injection of the cells.

On June 27, 2014, the Company announced that its technology collaboration with Octane Biotech, Inc. reached an important milestone with the construction of an Alpha prototype of a customized bioreactor for NurOwn production. The proprietary bioreactor under development will, if successful, provide the Company with large-scale manufacturing capabilities, enabling it to achieve economies of scale in the manufacture of NurOwn.

Our Proprietary Technology

Our NurOwn technology is based on a novel differentiation protocol which induces differentiation of the bone marrow-derived mesenchymal stem cells into neuron-supporting cells, MSC-NTF cells, capable of releasing several neurotrophic factors, including Glial-derived neurotrophic factor (GDNF) and Brain-derived neurotrophic factor (BDNF), Vascular endothelial growth factor (VEGF) and Hepatocyte growth factor (HGF) which are critical for the growth, survival and differentiation of developing neurons. GDNF is one of the most potent survival factors known for peripheral neurons. VEGF and HGF have been reported to have important neuro-protective effects in ALS.

Our approach to treatment of neurodegenerative diseases with autologous adult stem cells includes a multi-step process beginning with harvesting of undifferentiated stem cells from the patient's own bone marrow, and concluding with transplantation of differentiated, neurotrophic factor-secreting mesenchymal stem cells (MSC-NTF) into the same patient – intrathecally and/or intramuscularly. Intrathecal (injection into the cerebrospinal fluid) transplantation consists of injection with a standard lumbar puncture; there is no need for a laminectomy – an invasive, orthopedic spine operation to remove a portion of the vertebral bone, as required by other technologies. Intramuscular (injection directly into muscle) transplantation is performed via a standard injection procedure as well.

Our proprietary, production process for induction of differentiation of human bone marrow derived mesenchymal stem cells into differentiated cells that produce NTF (MSC-NTF) for clinical use is conducted in full compliance with current Good Manufacturing Practice (cGMP).

Our proprietary technology is licensed to and developed by our Israeli Subsidiary.

The NurOwn Transplantation Process

- Bone marrow aspiration from patient;
- Isolation and expansion of the mesenchymal stem cells;
- Differentiation of the expanded stem cells into neurotrophic-factor secreting (MSC-NTF) cells; and
- Autologous transplantation into the patient's spinal cord or muscle tissue.

Differentiation before Transplantation

The ability to induce differentiation of autologous adult mesenchymal stem cells into MSC-NTF cells *before* transplantation is unique to NurOwn, making it the first-of-its-kind for treating neurodegenerative diseases.

The specialized cells secrete neurotrophic factors for:

- Protection of existing motor neurons;
- Promotion of motor neuron growth; and
- Re-establishment of nerve-muscle interaction.

Autologous (Self-transplantation)

The NurOwn approach is autologous, or self-transplanted, using the patient's own stem cells. In autologous transplantation there is no risk of rejection and no need for treatment with immunosuppressive agents, which can cause severe and/or long-term side effects. In addition, the use of adult stem cells is free of controversy associated with the use of embryonic stem cells in some countries.

Transplantation site and method

Clinical Indication I: ALS (current) – Based on the approval of the Israeli MoH, we are currently conducting a Phase IIa dose-escalating trial to evaluate safety and preliminary efficacy of NurOwn in ALS patients. Following approval of our IND application by the FDA, we have launched a Phase II clinical trial in the USA.

Future Clinical Development. Future development of NurOwn in ALS will require additional clinical trials, including the administration of repeated doses to ALS patients enrolled in those trials. The design and timing of subsequent clinical trials in ALS is currently under review by the Company. In addition, the Company is reviewing the potential clinical development of NurOwn in other neurodegenerative disorders.

Corporate Information

We are incorporated under the laws of the State of Delaware. Our principal executive offices are located at 605 Third Avenue, 34th Floor, New York, New York 10158, and our telephone number is (646) 666-3188. We maintain an Internet website at *http://www.brainstorm-cell.com*. The information on our website is not incorporated into this prospectus.

The Private Placement

On June 13, 2014, we entered into a securities purchase agreement (the Securities Purchase Agreement) with a group of investors, including several healthcare-focused funds (the Investors) to effect a private placement (the Private Placement) of the Company's common stock, $0.00005 par value per share (Common Stock), and warrants to purchase Common Stock. On June 19, 2014, upon the closing of the Private Placement, we received gross proceeds of $10.5 million, resulting from the issuance and sale of 42,000,000 shares of Common Stock (the Shares) at a price per share of $0.25, a 15% discount to the 30 day volume-weighted average price of $0.294. The Investors also received warrants to purchase up to 42,000,000 shares of Common Stock at an exercise price of $0.348 per share (the Warrants). The Warrants were exercisable immediately upon closing of the Private Placement and have a term of three (3) years.

In connection with the Private Placement, we entered into a Registration Rights Agreement (the Registration Rights Agreement) at closing pursuant to which we will file a resale registration statement for the Shares and Common Stock underlying the Warrants within 30 days of the closing date (the Filing Deadline) and have it declared effective at the earlier of (i) the 90th calendar day after the closing date and (ii) the fifth business day after the date the Company is notified by the SEC that such Registration Statement will not be reviewed or will not be subject to further review (the Effectiveness Deadline). The Registration Rights Agreement contains penalties for failure to comply with the terms of the agreement, including monthly liquidated damages in an amount equal to 1.5% of the aggregate subscription amount for failure to meet the Effectiveness Deadline, up to a maximum of 12% of the aggregate subscription amount.

If at any time all of the Shares or shares of Common Stock underlying the Warrants are not covered by the initial Registration Statement, the Company agrees to file with the SEC one or more additional Registration Statements so as to cover all of the Shares and shares of Common Stock underlying the Warrants not covered by such initial Registration Statement, in each case, as soon as practicable, but in no event later than the applicable filing deadline for such additional Registration Statements as provided in the Registration Rights Agreement.

We are registering the shares of Common Stock covered by this prospectus in order to fulfill our contractual obligations to the Investors contained in the Registration Rights Agreement. Registration of the shares of Common Stock covered by this prospectus does not necessarily mean that all or any portion of such shares will be offered for sale by the Selling Securityholders.

Offering by Selling Securityholders

We are registering the following securities issued in connection with the Private Placement as described above under "The Private Placement":

- For resale by the Selling Securityholders, 42,000,000 shares of Common Stock purchased in the Private Placement; and

- For resale by the Selling Securityholders, 42,000,000 shares of Common Stock issuable upon exercise of the Warrants that were acquired in the Private Placement.

As of the date of this prospectus, each Warrant is exercisable to purchase one share of Common Stock. The exercise price and number of shares of Common Stock issuable upon exercise of the Warrants are subject to further adjustment in certain circumstances.

The exercise price of each Warrant is $0.348 per share. The Warrants are currently exercisable and expire on June 19, 2017. There is a possibility that the Warrants will never be exercised when in-the-money or otherwise, and that Warrant holders will never receive shares or payment of cash in settlement of the Warrants.

Common stock outstanding:	224,834,618 shares as of June 20, 2014.
Use of proceeds:	We will not receive any of the proceeds from the sale of the securities being registered on behalf of the Selling Securityholders hereunder. We will receive the exercise price upon the exercise of any Warrant. To the extent we receive cash upon any exercise of the Warrants, we expect to use that cash for general corporate and working capital purposes.
Market Symbol:	Our Common Stock is quoted on the OTCQB Marketplace under the symbol “BCLI”.
Risk Factors:	Investing in our securities involves substantial risks. You should carefully review and consider the “Risk Factors” section of this prospectus beginning on page 8 for a discussion of factors to consider before deciding to invest in our securities.

We will bear the expenses of registering these securities. The Selling Securityholders will pay the cost of any brokerage commissions and discounts, and all expenses incurred by them in connection with the resale of the securities. See “Plan of Distribution.”

We had 224,834,618 shares of Common Stock outstanding as of June 20, 2014, which excludes:

- 11,688,331 shares of Common Stock issuable upon exercise of outstanding stock options, at a weighted average exercise price of $0.23215 per share, under our equity incentive plans;
- 2,808,437 additional shares of Common Stock reserved for future issuance under our equity incentive plans; and
- 94,011,256 shares of Common Stock issuable upon exercise of outstanding warrants with exercise prices ranging from $0.00005 per share to $1.50 per share.

Except as otherwise indicated herein, all information in this prospectus assumes or gives effect to no exercise of the Warrants.

RISK FACTORS

You should carefully consider and evaluate all of the information in this prospectus, including the risk factors listed below. Risks and uncertainties in addition to those we describe below, that may not be presently known to us, or that we currently believe are immaterial, may also harm our business and operations. If any of these risks occur, our business, results of operations and financial condition could be harmed, the price of our Common Stock could decline, and future events and circumstances could differ significantly from those anticipated in the forward-looking statements contained in this prospectus.

Risks related to our business

We need to raise additional capital. If we are unable to raise additional capital on favorable terms and in a timely manner, we will not be able to execute our business plan and we could be forced to restrict or cease our operations.

We will need to raise additional funds to meet our anticipated expenses so that we can execute our business plan. We expect to incur substantial and increasing net losses for the foreseeable future as we increase our spending to execute our development programs. Our auditors have expressed in their audit report that there is substantial doubt regarding our ability to continue as a going concern.

The amount of financing required will depend on many factors including our financial requirements to fund our research and clinical trials, and our ability to secure partnerships and achieve partnership milestones as well as to fund other working capital requirements. Our ability to access the capital markets or to enlist partners is mainly dependent on the progress of our research and development and regulatory approval of our products.

We expect that the net proceeds of the Private Placement will be sufficient to meet our obligations in the upcoming 12 months as we run a Phase II clinical trial in the United States. However, additional capital may be required or the Company will need to reduce its operating costs in order to finance the Company’s operations beyond the current plans or if there are unanticipated significant increases in costs over the next 12 months.

Should we raise additional funds through the issuance of equity, equity-related or debt securities, these securities may have rights, preferences or privileges (including registrations rights) senior to those of the rights of our Common Stock and our stockholders will experience additional dilution.

Our independent registered public accounting firm has expressed substantial doubt about our ability to continue as a going concern.

As described in Note 1 of our accompanying financial statements, our auditors in their audit opinion have expressed concern with respect to our ability to continue as a going concern, as well as referred to Note 1 of our financial statements in this regard. Our financial statements do not include any adjustments that may result from the outcome of this uncertainty. If we cannot continue as a viable entity, our stockholders may lose some or all of their investment in us.

If our NurOwn treatment candidate does not demonstrate safety and efficacy sufficient to obtain regulatory approval, it will not receive regulatory approval and we will be unable to market it.

The therapeutic treatment development and regulatory approval process is expensive, uncertain and time-consuming. The timing of any future regulatory approval, if any, for our NurOwn treatment candidate cannot be accurately predicted. We do not expect to receive regulatory approval for any of our product candidates until at least 2015, if ever. If we fail to obtain regulatory approval for our NurOwn treatment candidate, we will be unable to market and sell it and we may never be profitable.

As part of the regulatory process, we must conduct clinical trials, including Phase 2 and Phase 3 clinical trials, for our NurOwn treatment candidate to demonstrate safety and efficacy in humans to the satisfaction of the FDA and regulatory authorities in other countries.

A failure of one or more of our clinical trials can occur at any stage of testing. Previous results obtained in uncontrolled clinical trials may not be predictive of future results obtained in controlled clinical trials. Interim results obtained in clinical trials may not be confirmed upon full analysis of the results of a clinical trial. Results of later stage clinical trials may fail to show the desired safety and efficacy despite acceptable results in earlier clinical trials. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses and many companies that have believed their product candidates performed satisfactorily in preclinical and clinical trials have nonetheless failed to obtain marketing approval of their treatments.

Specifically, we have not yet compared our NurOwn treatment candidate against placebo or any other active therapy control group. While comparisons of outcomes to results from other reported clinical trials can provide some insight into the efficacy of our NurOwn treatment candidate, there are many factors that affect the outcome of clinical trials, some of which are not apparent in published reports, and results from two different trials cannot always be reliably compared.

Our business in the foreseeable future will be based on technology licensed from Ramot and if this license were to be terminated upon failure to make required royalty payments in the future, we would need to change our business strategy and we may be forced to cease our operations.

Agreements we and our Israeli Subsidiary have with Ramot impose on us royalty payment obligations. If we fail to comply with these obligations, Ramot may have the right to terminate the license under certain circumstances. If Ramot elects to terminate our license, we would need to change our business strategy and we may be forced to cease our operations. We currently do not owe Ramot any overdue payments. Royalties are due upon commencement of revenues by the Company.

Our Company has a history of losses and we expect to incur losses for the foreseeable future.

As a development stage company, we are in the early stages of executing our business plan. We had no revenues for the fiscal years ended December 31, 2013 or December 31, 2012. Our ability to operate successfully is materially uncertain and our operations are subject to significant risks inherent in a developing business enterprise. We are currently in the process of introducing the Company to strategic partners. In the upcoming three years, the Company will focus on clinical trials. We are unable at this time to foresee when we will generate revenues from strategic partnerships or otherwise. Furthermore, we expect to incur substantial and increasing operating losses for the next

several years as we increase our spending to execute our development programs. These losses are expected to have an adverse impact on our working capital, total assets and stockholders' equity, and we may never achieve profitability.

Our product development programs are based on novel technologies and are inherently risky.

We are subject to the risks of failure inherent in the development of products based on new technologies. The novel nature of our stem cell therapy creates significant challenges with regard to product development and optimization, manufacturing, government regulations, and market acceptance. For example, the FDA has relatively limited experience with stem cell therapies. None have been approved by them for commercial sale, and the pathway to regulatory approval for our cell therapy product candidates may accordingly be more complex and lengthy. As a result, the development and commercialization pathway for our therapies may be subject to increased uncertainty, as compared to the pathway for new conventional drugs.

We are faced with uncertainties related to our research.

Our research programs are based on scientific hypotheses and experimental approaches that may not lead to desired results. In addition, the timeframe for obtaining proof of principle and other results may be considerably longer than originally anticipated, or may not be possible given time, resource, financial, strategic and collaborator scientific constraints. Success in one stage of testing is not necessarily an indication that the particular program will succeed in later stages of testing and development. It is not possible to predict, based upon studies in in-vitro models and in animals, whether any of the therapies designed for these programs will prove to be safe, effective, and suitable for human use. Each therapy will require additional research and development, scale-up, formulation and extensive clinical testing in humans. Unsatisfactory results obtained from a particular study relating to a program may cause the Company to abandon its commitment to that program or to the lead therapy or product candidate being tested. The discovery of unexpected toxicities, lack of sufficient efficacy, unacceptable pharmacology, inability to increase scale of manufacture, market attractiveness, regulatory hurdles, competition, as well as other factors, may make our targets, lead therapies or product candidates unattractive or unsuitable for human use, and we may abandon our commitment to that program, target, lead therapy or product candidate. In addition, preliminary results seen in animal and/or limited human testing may not be substantiated in larger controlled clinical trials.

If serious or unexpected adverse side effects are identified during the development of our NurOwn treatment candidate, we may need to abandon or limit its development.

If patients treated with our NurOwn treatment candidate suffer serious or unexpected adverse effects, we may need to abandon its development or limit development to certain uses or subpopulations in which these effects are less prevalent, less severe or more acceptable from a risk-benefit perspective.

The field of stem cell therapy is relatively new and our development efforts may not yield an effective treatment of human diseases.

Our intended cell therapeutic treatment methods for ALS involve a new approach that has not yet been proven to work in humans. We are currently conducting Phase IIa clinical trials for ALS, which, together with other stem cell therapies, may ultimately prove ineffective in treatment of human diseases. If we cannot successfully implement our NurOwn stem cell therapy in human testing, we would need to change our business strategy and we may be forced to change our operations.

Our NurOwn treatment candidate is based on a novel technology, which may raise development issues that we may not be able to resolve, regulatory issues that could delay or prevent approval or personnel issues that may keep us from being able to develop our treatments.

Regulatory approval of treatment candidates that utilize novel technology such as ours can be more expensive and take longer than for other treatments that are based on more well-known or more extensively studied technology, due to our and the regulatory agencies' lack of experience with them. This may lengthen the regulatory review process, require us to perform additional studies, including clinical trials, increase our development costs, lead to changes in regulatory positions and interpretations, delay or prevent approval and commercialization of these treatment candidates or lead to significant post-approval limitations or restrictions. For example, the differentiated cell component of our NurOwn treatment candidate is a complex biologic product that is manufactured from the patient's own bone marrow that must be appropriately harvested, isolated, expanded and differentiated so that its identity, strength, quality, purity and potency may be characterized prior to release for treatment. No differentiated cell treatment for ALS has yet been approved for marketing by the FDA or any other regulatory agency. The tests that we use to make identity, strength, quality, purity and potency determinations on our NurOwn treatment candidate may not be sufficient to satisfy the FDA's expectations regarding the criteria required for release of products for patient treatment and the regulatory agency may require us to employ additional testing measures for this purpose, which could require us to undertake additional testing and/or additional clinical trials.

The novel nature of our NurOwn treatment candidate also means that fewer people are trained in or experienced with treatments of this type, which may make it difficult to recruit, hire and retain capable personnel for the research, development and manufacturing positions that will be required to continue our development and commercialization efforts.

A significant global market for our services has yet to emerge.

Very few companies have been successful in their efforts to develop and commercialize a stem cell product. Some stem cell products in general may be susceptible to various risks, including undesirable and unintended side effects, unintended immune system responses, inadequate therapeutic efficacy, or other characteristics that may prevent or limit their approval or commercial use. The demand for stem cell processing and the number of people who may use cell or tissue-based therapies is difficult to forecast. Physicians, patients, formularies, third party payers or the medical community in general may not accept or utilize any products that the Company or its collaborative partners may develop. Our success is dependent on the establishment of a large global market for our products and services and our ability to capture a share of this market.

We have limited experience in conducting and managing clinical trials and the application process necessary to obtain regulatory approvals.

Our limited experience in conducting and managing clinical trials and the application process necessary to obtain regulatory approvals might prevent us from successfully designing or implementing a preclinical study or clinical trial. Cell-based therapy products, in general, may be susceptible to various risks, including undesirable and unintended side effects, unintended immune system responses, inadequate therapeutic efficacy or other characteristics that may prevent or limit their approval by regulators or commercial use. Many companies in the industry have suffered significant setbacks in advanced clinical trials, despite promising results in earlier trials. If our clinical trials are unsuccessful, or if we do not complete our clinical trials, we may not receive regulatory approval for or be able to commercialize our product candidates.

If we do not succeed in conducting and managing our preclinical development activities or clinical trials, or in obtaining regulatory approvals, we might not be able to commercialize our product candidates, or might be significantly delayed in doing so, which will materially harm our business.

Our ability to generate revenues from any of our product candidates will depend on a number of factors, including our ability to successfully complete clinical trials, obtain necessary regulatory approvals and implement our commercialization strategy. We may, and anticipate that we will need to, transition from a company with a research and development focus to a company capable of supporting commercial activities and we may not succeed in such a transition.

We may not be able to secure and maintain research institutions to conduct our clinical trials.

We rely on research institutions to conduct our clinical trials. Our reliance upon research institutions, including hospitals and clinics, provides us with less control over the timing and cost of clinical trials and the ability to recruit subjects. If we are unable to reach agreements with suitable research institutions on acceptable terms, or if any resulting agreement is terminated, we may be unable to quickly replace the research institution with another qualified institution on acceptable terms. Furthermore, we may not be able to secure and maintain suitable research institutions to conduct our clinical trials.

We are subject to a strict regulatory environment. If we fail to obtain and maintain required regulatory approvals for our potential cell therapy products, our ability to commercialize our potential cell therapy products will be severely limited.

None of our product candidates have received regulatory approval for commercial sale. We do not expect to receive regulatory approval for any of our product candidates until at least 2015, if ever.

Numerous statutes and regulations govern human testing and the manufacture and sale of human therapeutic products in the United States and other countries where we intend to market our products. Such legislation and regulation bears upon, among other things, the approval of protocols and human testing, the approval of manufacturing facilities, testing procedures and controlled research, review and approval of manufacturing, preclinical and clinical data prior to marketing approval including adherence to GMP during production and storage as well as regulation of marketing activities including advertising and labeling.

The completion of the clinical testing of our product candidates and the obtaining of required approvals are expected to take several years and require the expenditure of substantial resources. We may experience numerous unforeseen events during, or as a result of, the clinical trial process that could delay or prevent regulatory approval and/or commercialization of our product candidates, including the following:

- The FDA or similar foreign regulatory authorities may find that our product candidates are not sufficiently safe or effective or may find our processes or facilities unsatisfactory;
- Officials at the Israeli MoH, the FDA or similar foreign regulatory authorities may interpret data from preclinical studies and clinical trials differently than we do;
- Our clinical trials may produce negative or inconclusive results or may not meet the level of statistical significance required by the Israeli MoH, the FDA or other regulatory authorities, and we may decide, or regulators may require us, to conduct additional preclinical studies and/or clinical trials or to abandon one or more of our development programs;
- The Israeli MoH, the FDA or similar foreign regulatory authorities may change their approval policies or adopt new regulations;
- There may be delays or failure in obtaining approval of our clinical trial protocols from the Israeli MoH, the FDA or other regulatory authorities or obtaining institutional review board approvals or government approvals to conduct clinical trials at prospective sites;
- We, or regulators, may suspend or terminate our clinical trials because the participating patients are being exposed to unacceptable health risks or undesirable side effects;
- We may experience difficulties in managing multiple clinical sites;
- Enrollment in our clinical trials for our product candidates may occur more slowly than we anticipate, or we may experience high drop-out rates of subjects in our clinical trials, resulting in significant delays; and
- We may be unable to manufacture or obtain from third party manufacturers sufficient quantities of our product candidates for use in clinical trials.

Investors should be aware of the risks, problems, delays, expenses and difficulties which may be encountered by us in light of the extensive regulatory environment in which our business operates. In particular, our development costs will increase if we have material delays in our clinical trials, or if we are required to modify, suspend, terminate or repeat a clinical trial. If we are unable to conduct our clinical trials properly and on schedule, marketing approval may be delayed or denied by the Israeli MoH or the FDA.

Even if a product candidate is approved by the Israeli MoH, the FDA or any other regulatory authority, we may not obtain approval for an indication whose market is large enough to recoup our investment in that product candidate. We may never obtain the required regulatory approvals for any of our product candidates. Later discovery of previously unknown problems with a product, manufacturer or facility may result in restrictions on the product or manufacturer, including a withdrawal of the product from the market.

Even if regulatory approvals are obtained for our product candidates, we will be subject to ongoing government regulation. If we or one or more of our partners or collaborators fail to comply with applicable current and future laws and government regulations, our business and financial results could be adversely affected.

The healthcare industry is one of the most highly regulated industries in the United States. The federal government, individual state and local governments and private accreditation organizations all oversee and monitor the activities of individuals and businesses engaged in the delivery of health care products and services. Even if regulatory authorities approve any of our human therapeutic product candidates, current laws, rules and regulations that could directly or indirectly affect our ability and the ability of our strategic partners and customers to operate each of their businesses could include, without limitation, the following:

- State and local licensing, registration and regulation of laboratories, the collection, processing and storage of human cells and tissue, and the development and manufacture of pharmaceuticals and biologics;
- The federal Clinical Laboratory Improvement Act and amendments of 1988;
- Laws and regulations administered by the FDA, including the Federal Food Drug and Cosmetic Act and related laws and regulations;
- The Public Health Service Act and related laws and regulations;
- Laws and regulations administered by the United States Department of Health and Human Services, including the Office for Human Research Protections;
- State laws and regulations governing human subject research;
- Occupational Safety and Health requirements; and
- State and local laws and regulations dealing with the handling and disposal of medical waste.

Compliance with such regulation may be expensive and consume substantial financial and management resources. If we, or any future marketing collaborators or contract manufacturers, fail to comply with applicable regulatory requirements, we may be subject to sanctions including fines, product recalls or seizures, injunctions, total or partial suspension of production, civil penalties, withdrawal of regulatory approvals and criminal prosecution. Any of these sanctions could delay or prevent the promotion, marketing or sale of our products.

Our NurOwn treatment candidate, even if approved, may not be accepted in the marketplace; therefore, we may not be able to generate significant revenue, if any.

Even if our NurOwn treatment candidate is approved for sale, physicians and the medical community may not ultimately use it or may use it only in applications more restricted than we anticipate. Our NurOwn treatment candidate, if successfully developed, will compete with a number of traditional products manufactured and marketed by major pharmaceutical and biotechnology companies. Our NurOwn treatment candidate may also compete with new products currently under development by such companies and others. Physicians will prescribe a treatment only if they determine, based on experience, clinical data, side effect profiles and other factors, that it is beneficial as compared to other products currently available and in use. Physicians also will prescribe a product based on their

traditional preferences. Many other factors influence the adoption of new products, including patient perceptions and preferences, marketing and distribution restrictions, adverse publicity, product pricing, views of thought leaders in the medical community and reimbursement by government and private payers. Any of these factors could have a material adverse effect on our business, financial condition, and results of operations.

Adoption of our NurOwn treatment candidate for the treatment of patients with ALS, or other neurodegenerative diseases, even if approved, may be slow or limited. If our NurOwn treatment candidate does not achieve broad acceptance as a treatment option for ALS, or other neurodegenerative diseases, our business would be harmed.

If approved, the rate of adoption of our NurOwn treatment candidate as a treatment for ALS, or other neurodegenerative diseases, and the ultimate sales volume for our treatment, will depend on several factors, including educating treating physicians on how to use our NurOwn treatment candidate. Our NurOwn treatment candidate utilizes individualized stem cell therapy, which is significantly different from the pharmacological approach currently used to treat neurodegenerative diseases. Acceptance of our NurOwn treatment candidate by treating physicians may require us to provide them with extensive education regarding the mechanism of action of our treatment, the method of delivery of the treatment, expected side effects and the method of monitoring patients for efficacy and follow-up. In addition, the manufacturing and delivery processes associated with our treatment will require treating physicians to adjust their current treatment of patients, which may delay or prevent market adoption of our NurOwn treatment candidate as a preferred therapy, even if approved.

We are subject to environmental, health and safety laws.

We are subject to various laws and regulations relating to safe working conditions, laboratory and manufacturing practices, the experimental use of animals and humans, emissions and wastewater discharges, and the use and disposal of hazardous or potentially hazardous substances used in connection with our research. We also cannot accurately predict the extent of regulations that might result from any future legislative or administrative action. Any of these laws or regulations could cause us to incur additional expense or restrict our operations.

Compliance with environmental laws and regulations may be expensive, and current or future environmental regulations may impair our research, development or production efforts.

Our success will depend in part on establishing and maintaining effective strategic partnerships and collaborations, which may impose restrictions on our business and subject us to additional regulation.

A key aspect of our business strategy is to establish strategic relationships in order, to expand or complement our research and development or commercialization capabilities, and to reduce the cost of research and development. There can be no assurance that we will enter into such relationships, that the arrangements will be on favorable terms or that such relationships will be successful. If we are ultimately successful in executing our strategy of securing collaborations with companies that would undertake advanced clinical development and commercialization of our products, we may not have day-to-day control over their activities. Any such collaborator may adhere to criteria for determining whether to proceed with a clinical development program under circumstances where we might have

continued such a program. Potential collaborators may have significant discretion in determining the efforts and amount of resources that they dedicate to our collaborations or may be unwilling or unable to fulfill their obligations to us, including their development and commercialization. Potential collaborators may underfund or not commit sufficient resources to the testing, marketing, distribution or other development of our products. They may also not properly maintain or defend our intellectual property rights or they may utilize our proprietary information in such a way as to invite litigation that could jeopardize or potentially invalidate our proprietary information or expose us to potential liability. Potential collaboration partners may have the right to terminate the collaboration on relatively short notice and if they do so or if they fail to perform or satisfy their obligations to us, the development or commercialization of products would be delayed and our ability to realize any potential milestone payments and royalty revenue would be adversely affected.

We will need to develop or acquire additional capabilities in order to commercialize our NurOwn treatment candidate, if approved for sale, and we may encounter unexpected costs or difficulties in doing so.

We will need to acquire additional capabilities and effectively manage our operations and facilities to successfully pursue and complete future research, development and, if our NurOwn treatment candidate receives regulatory approval, commercialization efforts. Currently, we have no experience in preparing applications for marketing approval, commercial-scale manufacturing, managing of large-scale information technology systems or managing a large-scale distribution system. We will need to add personnel and expand our capabilities, which may strain our existing managerial, operational, regulatory compliance, financial and other resources. To do this effectively, we must:

·train, manage and motivate a growing employee base;

- accurately forecast demand for our treatment; and
- expand existing operational, financial and management information systems.

We will need to increase our manufacturing capacity prior to seeking approval for the sale of our products. If we are not successful in establishing a regulatory compliant manufacturing process, we may not obtain approval of products or our ability to obtain regulatory approval for sale could be delayed, which would further delay the period of time when we would be able to generate revenues from the sale of such products, if we are even able to generate revenues at all.

We expect to expand our development, regulatory, manufacturing and sales and marketing capabilities, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

We expect to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of product development, regulatory affairs, manufacturing and sales and marketing. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited financial resources and the limited experience of our management team in managing a company with such anticipated growth, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The physical expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

We have never manufactured our NurOwn treatment candidate at commercial scale and there can be no assurance that it can be manufactured in compliance with regulations at a cost or in quantities necessary to make it commercially viable.

We have no experience in commercial-scale manufacturing, the management of large-scale information technology systems or the management of a large-scale distribution system. We may develop our manufacturing capacity in part by expanding our current facilities and/or by setting up additional facilities in other regions of the country. These activities would require substantial additional funds and we would need to hire and train significant numbers of qualified employees to staff these facilities. We may not be able to develop commercial-scale facilities that are sufficient to produce the treatment candidates or their components for later-stage clinical trials or commercial use.

Furthermore, we must supply all necessary documentation, including product characterization and process validation, to regulatory authorities in support of our BLA on a timely basis and must adhere to cGMP regulations and current

Good Tissue Practices (GTP) enforced by the regulatory authority through its facilities inspection program. We have not fully characterized our NurOwn treatment candidate and have not validated our manufacturing process. If the FDA determines that the products used in our clinical trials are not sufficiently characterized, we may be required to repeat all or a portion of our clinical trials. If our facilities cannot pass a pre-approval plant inspection, the regulatory approval of the treatment candidates will not be granted.

We are subject to significant regulation with respect to manufacturing of our NurOwn treatment candidate.

All entities involved in the preparation of a therapeutic biological for clinical trials or commercial sale are subject to extensive regulation. Our NurOwn treatment candidate must be manufactured in accordance with cGMP and GTP before it can be used in our clinical trials or approved for commercial sale. These regulations govern manufacturing processes and procedures and the implementation and operation of quality systems to control and assure the quality of investigational treatment candidates and treatments, including treatment component characterization and process validation, approved for sale. Our facilities and quality systems and the facilities and quality systems of some or all of our third party suppliers must pass a pre-approval inspection for compliance with the applicable regulations as a condition of regulatory approval of our NurOwn treatment candidate. If any inspection or audit of our manufacturing facilities identifies a failure to comply with applicable regulations, or if a violation of applicable regulations occurs independent of an inspection or audit, we or the relevant regulatory authority may require remedial measures that may be costly and/or time consuming for us or a third party to implement and that may include the temporary or permanent suspension of a clinical trial or commercial sales or the temporary or permanent closure of a facility. Any such remedial measures imposed on us or third parties with whom we contract could materially harm our business.

Lack of coordination internally among our employees and externally with physicians, hospitals and third-party suppliers and carriers, could cause manufacturing difficulties, disruptions or delays and cause us to not meet our expected clinical trial requirements or potential commercial requirements.

Manufacturing our NurOwn treatment candidate requires coordination internally among our employees and externally with physicians, hospitals and third-party suppliers and carriers. For example, a patient's physician or clinical site will need to coordinate with us for the shipping of a patient's bone marrow to our manufacturing facility, and we will need to coordinate with them for the shipping of the treatment components to them. Such coordination involves a number of risks that may lead to failures or delays in manufacturing our NurOwn treatment candidate, including:

- failure to obtain a sufficient supply of key raw materials of suitable quality;
- difficulties in manufacturing our treatment candidates for multiple patients simultaneously;
- difficulties in obtaining adequate patient-specific material, such as bone marrow samples, from physicians;
- difficulties in completing the development and validation of the harvested cells required to ensure the consistency of our NurOwn treatment candidate;
- failure to ensure adequate quality control and assurances in the manufacturing process as we increase production quantities;
- difficulties in the timely shipping of patient-specific materials to us or in the shipping of the treatment candidates to the treating physicians due to errors by third-party carriers, transportation restrictions or other reasons;

- loss or destruction of, or damage to, patient-specific materials or our NurOwn treatment candidate during the shipping process due to improper handling by third-party carriers, hospitals, physicians or us;

- loss or destruction of, or damage to, patient-specific materials or our NurOwn treatment candidate during storage at our facilities; and

- loss or destruction of, or damage to, patient-specific materials or our NurOwn treatment candidate stored at clinical and future commercial sites due to improper handling or holding by clinicians, hospitals or physicians.

If we are unable to coordinate appropriately, we may encounter delays or additional costs in achieving our clinical and commercialization objectives, including in obtaining regulatory approvals of our treatment candidates and supplying products, which could materially damage our business and financial position.

We face competition in our efforts to develop cell therapies for ALS and other neurodegenerative diseases.

We face competition in our efforts to develop cell therapies and other treatment or procedures to cure or slow the effects of ALS and other neurodegenerative diseases. Among our competitors are companies that are involved in the fetal cell transplant or embryonic stem cell derived cell therapy and companies developing adult stem cells. Other companies are developing traditional chemical compounds, new biological drugs, cloned human proteins and other treatments, which are likely to impact the markets that we intend to target. Some of our competitors possess longer operating histories and greater financial, managerial, scientific and technical resources than we do and some possess greater name recognition and established customer bases. Some also have significantly more experience in preclinical testing, human clinical trials, product manufacturing, the regulatory approval process and marketing and distribution than we do.

The trend towards consolidation in the pharmaceutical and biotechnology industries may adversely affect us.

There is a trend towards consolidation in the pharmaceutical and biotechnology industries. This consolidation trend may result in the remaining companies having greater financial resources and discovery technological capabilities, thus intensifying competition in these industries. This trend may also result in fewer potential collaborators or licensees for our therapeutic product candidates. Also, if a consolidating company is already doing business with our competitors, we may lose existing licensees or collaborators as a result of such consolidation.

There is a scarcity of experienced professionals in the field of cell therapy and we may not be able to retain key personnel or hire new key personnel needed to implement our business strategy and develop our products and businesses. If we are unable to retain or hire key personnel, we may be unable to continue to grow our business or to implement our business strategy, and our business may be materially and adversely affected.

Given the specialized nature of cell therapy and the fact that it is a young field, there is an inherent scarcity of experienced personnel in the field. Our success depends on a significant extent to the continued services of certain highly qualified scientific and management personnel. We face competition for qualified personnel from numerous industry sources, and there can be no assurance that we will be able to attract and retain qualified personnel on acceptable terms. The loss of service of any of our key personnel could have a material adverse effect on our operations or financial condition. In the event of the loss of services of such personnel, no assurance can be given that we will be able to obtain the services of adequate replacement personnel. We do not have key person life insurance on all of our key personnel. The future success of the Company also depends upon our ability to attract and retain additional qualified personnel (including medical, scientific, technical, commercial, business and administrative personnel) necessary to support our anticipated growth, develop our business, and maintain appropriate licensure, on acceptable terms. There can be no assurance that we will be successful in attracting or retaining personnel required by us to continue and grow our operations. The loss of a key employee, the failure of a key employee to perform in his or her current position or our inability to attract and retain skilled employees, as needed, could result in our inability to continue to grow our business or to implement our business strategy, or may have a material adverse effect on our business, financial condition and results of operations.

Technological and medical developments or improvements in conventional therapies could render the use of stem cells and our services and planned products obsolete.

The pharmaceutical industry is characterized by rapidly changing markets, technology, emerging industry standards and frequent introduction of new products. The introduction of new products embodying new technologies, including new manufacturing processes, and the emergence of new industry standards may render our technologies obsolete, less competitive or less marketable. Advances in other treatment methods or in disease prevention techniques could significantly reduce or entirely eliminate the need for our stem cell services, planned products and therapeutic efforts. Additionally, technological or medical developments may materially alter the commercial viability of our technology

or services, and require us to incur significant costs to replace or modify equipment in which we have a substantial investment. In either event, we may experience a material adverse effect on our business, results of operations and financial condition.

We may expend our limited resources to pursue our NurOwn treatment candidate or a specific indication for its use and fail to capitalize on treatment candidates or indications that may be more profitable or for which there is a greater likelihood of success.

Because we have limited financial and managerial resources, we have focused development of our NurOwn treatment candidate for use in patients with ALS. As a result, we may forego or delay pursuit of opportunities with other treatment candidates or for other indications that later prove to have greater commercial potential. Our spending on current and future research and development efforts on our NurOwn treatment candidate for this indication may not yield a commercially viable treatment. Our resource allocation decisions also may cause us to fail to capitalize on a viable commercial treatment, a more viableindication or profitable market opportunities.

We have based our research and development efforts on our NurOwn treatment candidate. Notwithstanding our large investment to date and anticipated future expenditures in our NurOwn treatment candidate, we have not yet developed, and may never successfully develop, any marketed treatments using this approach. As a result of pursuing the development of our NurOwn treatment candidate, we may fail to develop treatment candidates or address indications based on other scientific approaches that may offer greater commercial potential or for which there is a greater likelihood of success.

Our long-term business plan is to develop our NurOwn treatment candidate for the treatment of neurodegenerative diseases, such as ALS, MS and PD. Even if we successfully develop our NurOwn treatment candidate for use in one indication, we may not be successful in our efforts to identify or discover additional indications for it. Clinical programs to develop new indications for our NurOwn treatment candidate will require substantial technical, financial and human resources. These development programs may initially show promise in identifying potential treatment indications, yet fail to obtain regulatory approval for commercial sale.

If we do not accurately evaluate the commercial potential or target market for our NurOwn treatment candidate, we may relinquish valuable rights to that treatment through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights.

If Ramot is unable to obtain patents on the patent applications and technology licensed to our Israeli Subsidiary or if patents are obtained but do not provide meaningful protection, we may not be able to successfully market our proposed products.

We rely upon the patent applications filed by Ramot, the technology licensing company of Tel Aviv University, and the license granted to us by Ramot, all in accordance with the Second Ramot Agreement dated as of July 26, 2007. We further agreed under the Second Ramot Agreement that Ramot, in consultation with us, is responsible for

obtaining patent protection for technology owned by Ramot and licensed to us. No assurance can be given that any of our pending or future patent applications will be approved, that the scope of any patent protection granted will exclude competitors or provide us with competitive advantages, that any of the patents that may be issued to us will be held valid if subsequently challenged, or that other parties will not claim rights to or ownership of our patents or other proprietary rights that we hold license to. Furthermore, there can be no assurance that others have not developed or will not develop similar products, duplicate any of our technology or products or design around any patents that have been or may be issued to us or any future licensors. Since patent applications in the United States and in Europe are not disclosed until applications are published, there can be no assurance that others did not first file applications for products covered by our pending patent applications, nor can we be certain that we will not infringe any patents that may be issued to others. Also, we have abandoned our rights to certain patents of Ramot in certain countries in connection with the Letter Agreement by and between us and Ramot dated December 24, 2009, which may limit our ability to fully market our proposed products.

We also rely upon unpatented proprietary technology, know-how and trade secrets and seek to protect them through confidentiality agreements with employees, consultants and advisors. If these confidentiality agreements are breached, we may not have adequate remedies for the breach. In addition, others may independently develop or otherwise acquire substantially the same proprietary technology as our technology and trade secrets.

We may be unable to protect our intellectual property from infringement by third parties.

Despite our efforts to protect our intellectual property, third parties may infringe or misappropriate our intellectual property. Our competitors may also independently develop similar technology, duplicate our processes or services or design around our intellectual property rights. We may have to litigate to enforce and protect our intellectual property rights to determine their scope, validity or enforceability. Intellectual property litigation is costly, time-consuming, diverts the attention of management and technical personnel and could result in substantial uncertainty regarding our future viability. The loss of intellectual property protection or the inability to secure or enforce intellectual property protection would limit our ability to develop or market our services in the future. This would also likely have an adverse effect on the revenues generated by any sale or license of such intellectual property. Furthermore, any public announcements related to such litigation or regulatory proceedings could adversely affect the price of our Common Stock.

Third parties may claim that we infringe on their intellectual property.

We may be subject to costly litigation in the event our technology is claimed to infringe upon the proprietary rights of others. Third parties may have, or may eventually be issued, patents that would be infringed by our technology. Any of these third parties could make a claim of infringement against us with respect to our technology. We may also be subject to claims by third parties for breach of copyright, trademark or license usage rights. Litigation and patent interference proceedings could result in substantial expense to us and significant diversion of efforts by our technical and management personnel. An adverse determination in any such proceeding or in patent litigation could subject us to significant liabilities to third parties or require us to seek licenses from third parties. Such licenses may not be available on acceptable terms or at all. Adverse determinations in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent us from commercializing our products, which would have a material adverse effect on our business, results of operations and financial condition.

As a result of our reliance on consultants, we may not be able to protect the confidentiality of our technology, which, if disseminated, could negatively impact our plan of operations.

We currently have relationships with two academic consultants who are not employed by us, and we may enter into additional relationships of such nature in the future. We have limited control over the activities of these consultants and can expect only limited amounts of their time to be dedicated to our activities. These persons may have consulting, employment or advisory arrangements with other entities that may conflict with or compete with their obligations to us. Our consultants typically sign agreements that provide for confidentiality of our proprietary information and results of studies. However, in connection with every relationship, we may not be able to maintain the confidentiality of our technology, the dissemination of which could hurt our competitive position and results of operations. To the extent that our scientific consultants develop inventions or processes independently that may be applicable to our proposed products, disputes may arise as to the ownership of the proprietary rights to such

information, we may expend significant resources in such disputes and we may not win those disputes.

It is uncertain to what extent the government, private health insurers and third-party payers will approve coverage or provide reimbursement for the therapies and products to which our services relate. Availability for such reimbursement may be further limited by an increasing uninsured population and reductions in Medicare and Medicaid funding in the United States.

Our ability to successfully commercialize our human therapeutic products will depend significantly on our ability to obtain acceptable prices and the availability of reimbursement to the patient from third-party payers, such as government and private insurance plans. While we have not commenced discussions with any such parties, these third-party payers frequently require companies to provide predetermined discounts from list prices, and they are increasingly challenging the prices charged for pharmaceuticals and other medical products. Our human therapeutic products may not be considered cost-effective, and reimbursement to the patient may not be available or sufficient to allow us to sell our products on a competitive basis. Further, as cost containment pressures are increasing in the health care industry, government and private payers adopt strategies designed to limit the amount of reimbursement paid to health care providers. Such cost containment measures may include:

- Reducing reimbursement rates;
- Challenging the prices charged for medical products and services;

- Limiting services covered;
- Decreasing utilization of services;
- Negotiating prospective or discounted contract pricing;
- Adopting capitation strategies; and
- Seeking competitive bids.

Similarly, the trend toward managed health care and bundled pricing for health care services in the United States could significantly influence the purchase of healthcare services and products, resulting in lower prices and reduced demand for our therapies.

We may not be able to negotiate favorable reimbursement rates for our human therapeutic products. If we fail to obtain acceptable prices or an adequate level of reimbursement for our products, the sales of our products would be adversely affected or there may be no commercially viable market for our products.

Unintended consequences of recently adopted health reform legislation in the U.S. may adversely affect our business.

The healthcare industry is undergoing fundamental changes resulting from political, economic and regulatory influences. In the U.S., comprehensive programs are under consideration that seek to, among other things, increase access to healthcare for the uninsured and control the escalation of healthcare expenditures within the economy. On March 23, 2010, health reform legislation was approved by Congress and has been signed into law. While we do not believe this legislation will have a direct impact on our business, the legislation has only recently been enacted and requires the adoption of implementing regulations, which may have unintended consequences or indirectly impact our business. For instance, the scope and implications of the recent amendments pursuant to the Fraud Enforcement and Recovery Act of 2009 have yet to be fully determined or adjudicated and as a result it is difficult to predict how future enforcement initiatives may impact our business. Also, in some instances our clients may be health insurers that will be subject to limitations on their administrative expenses and new federal review of “unreasonable” rate increases which could impact the prices they pay for our services. If the legislation causes such unintended consequences or indirect impact, it could have a material adverse effect on our business, financial condition and results of operations.

Ethical and other concerns surrounding the use of stem cell therapy may negatively impact the public perception of our stem cell services, thereby suppressing demand for our services.

Although our stem cell business pertains to adult stem cells only, and does not involve the more controversial use of embryonic stem cells, the use of adult human stem cells for therapy could give rise to similar ethical, legal and social issues as those associated with embryonic stem cells, which could adversely affect its acceptance by consumers and medical practitioners. Additionally, it is possible that our business could be negatively impacted by any stigma

associated with the use of embryonic stem cells if the public fails to appreciate the distinction between adult and embryonic stem cells. Delays in achieving public acceptance may materially and adversely affect the results of our operations and profitability.

We are exposed to fluctuations in currency exchange rates.

A significant portion of our business, particularly our research and development, is conducted outside the United States. Therefore, we are exposed to currency exchange fluctuations in other currencies such as the New Israeli Shekels (NIS) and the Euro. Moreover, a portion of our expenses in Israel and Europe are paid in NIS and Euros, respectively, which subjects us to the risks of foreign currency fluctuations. Our primary expenses paid in NIS are employee salaries, fees for consultants and subcontractors and lease payments on our Israeli facilities.

The dollar cost of our operations in Israel will increase to the extent increases in the rate of inflation in Israel are not offset by a devaluation of the NIS in relation to the dollar, which would harm our results of operations.

Since a considerable portion of our expenses such as employees' salaries are linked to an extent to the rate of inflation in Israel, the dollar cost of our operations is influenced by the extent to which any increase in the rate of inflation in Israel is or is not offset by the devaluation of the NIS in relation to the dollar. As a result, we are exposed to the risk that the NIS, after adjustment for inflation in Israel, will appreciate in relation to the dollar. In that event, the dollar cost of our operations in Israel will increase and our dollar-measured results of operations will be adversely affected. During the past few years inflation-adjusted NIS appreciated against the dollar, which raised the dollar cost of our Israeli operations. We cannot predict whether the NIS will appreciate against the dollar or vice versa in the future. Any increase in the rate of inflation in Israel, unless the increase is offset on a timely basis by a devaluation of the NIS in relation to the dollar, will increase labor and other costs, which will increase the dollar cost of our operations in Israel and harm our results of operations.

We may be subject to significant product liability claims and litigation which could adversely affect our future earnings and financial condition.

Our business exposes us to potential product liability risks inherent in the testing, processing and marketing of stem cell therapy products. Specifically, the conduct of clinical trials in humans involves the potential risk that the use of our stem cell therapy products will result in adverse effects. Such liability claims may be expensive to defend and result in large judgments against us. We currently maintain liability insurance for our clinical trials; however such liability insurance may not be adequate to fully cover any liabilities that arise from clinical trials of our stem cell therapy products. We also maintain errors and omissions, directors and officers, workers’ compensation and other insurance appropriate to our business activities. If we were to be subject to a claim in excess of this coverage or to a claim not covered by our insurance and the claim succeeded, we would be required to pay the claim from our own limited resources, which could have a material adverse effect on our financial condition, results of operations and business. Additionally, liability or alleged liability could harm our business by diverting the attention and resources of our management and damaging our reputation and that of our subsidiaries.

Political, economic and military instability in Israel may impede our ability to execute our plan of operations.

Our principal operations and the research and development facilities of the scientific team funded by us under the Second Ramot Agreement are located in Israel. Accordingly, political, economic and military conditions in Israel may affect our business. Since the establishment of the State of Israel in 1948, a number of armed conflicts have occurred between Israel and its Arab neighbors. Acts of random terrorism periodically occur which could affect our operations or personnel. Ongoing or revived hostilities or other factors related to Israel could harm our operations and research and development process and could impede our ability to execute our plan of operations.

In addition, Israeli-based companies and companies doing business with Israel have been the subject of an economic boycott by members of the Arab League and certain other predominantly Muslim countries since Israel's establishment. Although Israel has entered into various agreements with certain Arab countries and the Palestinian Authority, and various declarations have been signed in connection with efforts to resolve some of the economic and political problems in the Middle East, we cannot predict whether or in what manner these problems will be resolved. Wars and acts of terrorism have resulted in damage to the Israeli economy, including reducing the level of foreign and local investment.

Furthermore, certain of our officers and employees may be obligated to perform annual reserve duty in the Israel Defense Forces and are subject to being called up for active military duty at any time. Israeli citizens who have served in the army may be subject to an obligation to perform reserve duty until they are between 40 and 49 years old, depending upon the nature of their military service.

Risks related to our Common Stock

The price of our stock is expected to be volatile.

The market price of our Common Stock has fluctuated significantly, and is likely to continue to be highly volatile. To date, the trading volume in our stock has been relatively low and significant price fluctuations can occur as a result. An active public market for our Common Stock may not continue to develop or be sustained. If the low trading volumes experienced to date continue, such price fluctuations could occur in the future and the sale price of our Common Stock could decline significantly. Investors may therefore have difficulty selling their shares.

Your percentage ownership will be diluted by future issuances of our securities.

In order to meet our financing needs, we may issue additional significant amounts of our Common Stock and warrants to purchase shares of our Common Stock. The precise terms of any future financings will be determined by us and potential investors and such future financings may also significantly dilute your percentage ownership in the Company.

ACCBT Corp. holds equity participation rights and other rights that could affect our ability to raise funds.

Pursuant to the subscription agreement with ACCBT Corp., a company under the control of Mr. Chaim Lebovits, our President, we granted ACCBT Corp. the right to acquire additional shares of our Common Stock whenever we issue additional shares of Common Stock or other securities of the Company, or options or rights to purchase shares of the Company or other securities directly or indirectly convertible into or exercisable for shares of the Company (including shares of any newly created class or series). This participation right could limit our ability to enter into equity financings and to raise funds from third parties. ACCBT Corp. is entitled to purchase its pro rata share of any additional securities we offer, so that its percentage ownership of the Company remains the same after any such issuance of additional securities. Such additional securities will be offered to ACCBT Corp. at the same price and on the same terms as the other investors in the transaction. ACCBT Corp. will have 30 days from the date of our notice to ACCBT Corp. of any intended transaction, to decide whether it wishes to exercise its participation rights in the transaction. We also are prohibited from taking certain corporate actions without the consent of ACCBT Corp., including issuing shares, acquiring or divesting assets and making payment of cash compensation over $60,000 per year. Further, ACCBT Corp. also has the right to appoint a majority of our Board of Directors. In connection with the subscription agreement, we entered into a registration rights agreement with ACCBT Corp. pursuant to which we granted piggyback registration rights to ACCBT Corp. In addition, we issued ACCBT warrants to purchase up to 30,250,000 shares of Common Stock, of which 30,250,000 warrants are presently outstanding. The outstanding warrants contain cashless exercise provisions, which permit the cashless exercise of up to 50% of the underlying

shares of Common Stock, and 10,083,333 of such warrants have an exercise price of $0.20 and the remainder have an exercise price of $0.29. ACCBT has waived its participation rights, registration rights and anti-dilution rights with respect to issuances that were made prior to the date hereof. In March 2014 we entered an agreement with ACCBT Corp. according to which ACCBT waived certain anti-dilution rights. On May 25, 2014, the Company entered into a Warrant Amendment Agreement with ACCBT, pursuant to which the expiration date of each Warrant held by ACCBT was extended until November 5, 2017, in consideration of ACCBT having provided a series of waivers of their rights, including the anti-dilution rights waiver.

You may experience difficulties in attempting to enforce liabilities based upon U.S. federal securities laws against us and our non-U.S. resident directors and officers.

Our principal operations are located through our subsidiary in Israel and our principal assets are located outside the U.S. Our Chief Executive Officer, Chief Financial Officer, and some of our directors are foreign citizens and do not reside in the U.S. It may be difficult for courts in the U.S. to obtain jurisdiction over our foreign assets or these persons and as a result, it may be difficult or impossible for you to enforce judgments rendered against us or our directors or executive officers in U.S. courts. Thus, should any situation arise in the future in which you have a cause of action against these persons or entities, you are at greater risk in investing in our Company rather than a domestic company because of greater potential difficulties in bringing lawsuits or, if successful, collecting judgments against these persons or entities as opposed to domestic persons or entities.

The trading price of our Common Stock entails additional regulatory requirements, which may negatively affect such trading price.

Our Common Stock is listed on the OTCQB Marketplace, an over-the-counter electronic quotation service. Because the trading price of our Common Stock is below $5.00 per share, trading in our Common Stock is subject to the requirements of certain “penny stock” rules promulgated under the Securities Exchange Act of 1934, as amended. These rules require additional disclosure by broker-dealers in connection with any trades generally involving any equity security not listed on either a securities exchange or NASDAQ that has a market price of less than $5.00 per share, subject to certain exceptions. Such rules require the delivery, before any penny stock transaction, of a disclosure schedule explaining the penny stock market and the risks associated therewith, and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors (generally institutions). For these types of transactions, the broker-dealer must determine the suitability of the penny stock for the purchaser and receive the purchaser's written consent to the transaction before sale. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in our Common Stock. As a consequence, the market liquidity of our Common Stock could be severely affected or limited by these regulatory requirements.

If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our results of operations or prevent fraud, and investor confidence and the market price of our Common Stock may be materially and adversely affected.

As a public company in the United States, we are subject to the reporting obligations under the U.S. securities laws. The Securities and Exchange Commission, or the SEC, as required under Section 404 of the Sarbanes-Oxley Act of 2002, has adopted rules requiring every public company to include a report of management on the effectiveness of such company’s internal control over financial reporting in its annual report. In prior years, management has identified material weaknesses in our internal control over financial reporting. If any of our prior material weaknesses recurs, or if we identify additional weaknesses or fail to timely and successfully implement new or improved controls, our ability to assure timely and accurate financial reporting may be adversely affected, and we could suffer a loss of investor confidence in the reliability of our financial statements, which in turn could negatively impact the trading price of our shares of Common Stock, result in lawsuits being filed against us by our shareholders, or otherwise harm our reputation. If material weaknesses are identified in the future, it could be costly to remediate such material weaknesses, which may adversely affect our results of operations. In addition, our auditor is not required to attest to the effectiveness of our internal controls over financial reporting due to our status of qualifying as a smaller reporting company. As a result, current and potential investors could lose confidence in our financial reporting, which could harm our business and have an adverse effect on our share price.

Delaware law could discourage a change in control, or an acquisition of us by a third party, even if the acquisition would be favorable to you, and thereby adversely affect existing stockholders.

The Delaware General Corporation Law contain provisions that may have the effect of making more difficult or delaying attempts by others to obtain control of our Company, even when these attempts may be in the best interests of stockholders. Delaware law imposes conditions on certain business combination transactions with "interested stockholders." These provisions and others that could be adopted in the future could deter unsolicited takeovers or delay or prevent changes in our control or management, including transactions in which stockholders might otherwise receive a premium for their shares over then current market prices. These provisions may also limit the ability of stockholders to approve transactions that they may deem to be in their best interests.

We do not expect to pay dividends in the foreseeable future, and accordingly you must rely on stock appreciation for any return on your investment.

We have paid no cash dividends on our Common Stock to date, and we currently intend to retain our future earnings, if any, to fund the continued development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Further, any payment of cash dividends will also depend on our financial condition, results of operations, capital requirements and other factors, including contractual restrictions to which we may be subject, and will be at the discretion of our Board of Directors.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements are based on management's beliefs and assumptions. In addition, other written or oral statements that constitute forward-looking statements are based on current expectations, estimates and projections about the industry and markets in which we operate and statements may be made by or on our behalf. Words such as "should," "could," "may," "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," variations of such words and expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. There are a number of important factors that could cause our actual results to differ materially from those indicated by such forward-looking statements.

Forward looking statements include, but are not limited to, statements about:

- Statements as to the anticipated timing of clinical studies and other business developments;
- Statements as to the development of new products;
- Our expectations regarding federal, state and foreign regulatory requirements;
- Our expectations regarding grants from federal resources; and
- Statements regarding growth strategies, financial results, product development, competitive strengths, intellectual property rights, litigation, mergers and acquisitions, market acceptance or continued acceptance of our products, accounting estimates, financing activities and ongoing contractual obligations.

These statements reflect our views with respect to future events as of the date of this prospectus and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements represent our estimates and assumptions only as of the date of this prospectus and, except as required by law, we undertake no obligation to update or review publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this prospectus. We anticipate that subsequent events and developments will cause our views to change. You should read this prospectus and the documents referenced in this prospectus and filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect. Our forward-looking statements do not reflect the potential impact of any future acquisitions, merger, dispositions, joint ventures or investments we may undertake. We qualify all of our forward-looking statements by these cautionary statements.

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EXCHANGE RATE INFORMATION

In this prospectus, references to "$" are to U.S. dollars, and references to "NIS" are to New Israeli Shekels. The exchange rate between the NIS and the U.S. dollar used in this prospectus varies depending on the date and context of the information contained herein.

The following table sets forth for each period indicated: (1) the low and high exchange rates during such period; (2) the exchange rates in effect at the end of the period; and (3) the average exchange rates for such period, for one U.S. dollar, expressed in NIS, as quoted by the Bank of Israel. The average exchange rate is calculated on the last business day of each month for the applicable period.

	Year ended December 31,				Quarter Ended	
					March 31,	June 30,
	2010	2011	2012	2013	2014	2014
Low	3.549	3.363	3.700	3.471	3.459	3.432
High	3.894	3.821	4.084	3.791	3.549	3.493
Period End	3.549	3.821	3.733	3.471	3.487	3.438
Average	3.733	3.578	3.858	3.609	3.497	3.465

As of July 9, 2014, the daily representative rate of exchange between the NIS and the U.S. dollar as published by the Bank of Israel was NIS 3.436 to $1.00.

USE OF PROCEEDS

We may receive gross proceeds of up to $14,616,000 from the exercise of the Warrants. We will retain discretion over the use of the net proceeds we may receive from this offering, but we currently intend to use such proceeds, if any, for general corporate and for working capital purposes.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our Common Stock. We currently intend to retain any future earnings to finance the growth and development of our business. Therefore, we do not anticipate that we will declare

or pay any cash dividends on our Common Stock in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of our Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements, restrictions under any existing indebtedness and other factors the Board of Directors deems relevant.

DILUTION

Dilution represents the difference between the offering price of the Shares and the net tangible book value per share of our Common Stock immediately after completion of the Private Placement, assuming no value is attributed to the Warrants. Net tangible book value is the amount that results from subtracting total liabilities and intangible assets from total assets.

At March 31, 2014, the net tangible book value of our shares of Common Stock was $860,000 or approximately $0.005 per share. After giving effect to the Private Placement and attributing no value to the Warrants, and after deducting expenses payable by us, our as adjusted net tangible book value as of March 31, 2014 would have been approximately $10,604,000, or approximately $0.048 per share of Common Stock. This represents an immediate increase in net tangible book value of approximately $0.043 per share to existing stockholders and an immediate dilution of approximately $0.208 per share to new investors. The following table illustrates this per share dilution:

Private Placement price per Share		$0.25
Net tangible book value per share as of March 31, 2014	$ 0.005	
Increase per share attributable to new investors	0.043	
As adjusted net tangible book value per share after the Private Placement		0.048
Dilution per share to new investors		$ 0.202

Investors that acquire additional shares of Common Stock through the exercise of the Warrants may experience additional dilution depending on our net tangible book value at the time of exercise.

The information in the table above is based on 176,803,587 shares of our Common Stock outstanding as of March 31, 2014 and excludes as of that date:

- 51,191,451 shares of Common Stock reserved for future issuance under our equity incentive plans;
- 8,310,937 options outstanding under our equity incentive plans with a weighted average exercise price of $0.1705 per share;
- 68,871,843 shares of Common Stock issuable upon exercise of outstanding warrants with exercise prices ranging from $0.00005 per share to $1.50 per share; and

· shares of Common Stock issuable upon exercise of the Warrants.

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PLAN OF DISTRIBUTION

Each Selling Securityholder of the securities and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their securities covered hereby on the principal Trading Market or any other stock exchange, market or trading facility on which the securities are traded or in private transactions. These sales may be at fixed or negotiated prices. A Selling Securityholder may use any one or more of the following methods when selling securities:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the securities as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales;
- in transactions through broker-dealers that agree with the Selling Securityholders to sell a specified number of such securities at a stipulated price per security;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The Selling Securityholders may also sell securities under Rule 144 under the Securities Act, if available, rather than under this prospectus.

Broker-dealers engaged by the Selling Securityholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Securityholders (or, if any broker-dealer acts as agent for the purchaser of securities, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this Prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with FINRA Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with FINRA IM-2440.

In connection with the sale of the securities or interests therein, the Selling Securityholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the securities in the course of hedging the positions they assume. The Selling Securityholders may also sell securities short and deliver these securities to close out their short positions, or loan or pledge the securities to broker-dealers that in turn may sell these securities. The Selling Securityholders may also enter into option or other transactions with broker-dealers or other financial institutions or create one or more derivative securities which require the delivery to such broker-dealer or other financial institution of securities offered by this prospectus, which securities such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The Selling Securityholders and any broker-dealers or agents that are involved in selling the securities may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the securities purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each Selling Securityholder has informed the Company that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the securities.

The Company is required to pay certain fees and expenses incurred by the Company incident to the registration of the securities. The Company has agreed to indemnify the Selling Securityholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

Because Selling Securityholders may be deemed to be "underwriters" within the meaning of the Securities Act, they will be subject to the prospectus delivery requirements of the Securities Act including Rule 172 thereunder. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus. The Selling Securityholders have advised us that there is no underwriter or coordinating broker acting in connection with the proposed sale of the resale securities by the Selling Securityholders.

We agreed to keep this prospectus effective until the earlier of (i) the date on which the securities may be resold by the Selling Securityholders without registration and without regard to any volume or manner-of-sale limitations by reason of Rule 144, without the requirement for the Company to be in compliance with the current public information under Rule 144 under the Securities Act or any other rule of similar effect or (ii) all of the securities have been sold pursuant to this prospectus or Rule 144 under the Securities Act or any other rule of similar effect. The resale securities will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale securities covered hereby may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale securities may not simultaneously engage in market making activities with respect to the Common Stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the Selling Securityholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of securities of the Common Stock by the Selling Securityholders or any other person. We will make copies of this prospectus available to the Selling Securityholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

DESCRIPTION OF CAPITAL STOCK

The following is a summary of all material characteristics of our capital stock as set forth in our certificate of incorporation and bylaws. The summary does not purport to be complete and is qualified in its entirety by reference to our certificate of incorporation and bylaws, and, to the extent applicable, to the provisions of the Delaware General Corporation Law.

Common stock

We are authorized to issue 800,000,000 shares of Common Stock, $0.00005 par value. As of June 20, 2014, there were 224,834,618 shares of our Common Stock issued and outstanding, held by approximately 64 record

holders.

The holders of Common Stock are entitled to one vote per share on all matters to be voted upon by stockholders, including the election of directors. The holders of Common Stock do not have any cumulative voting, conversion, redemption or preemptive rights. The holders of Common Stock are entitled to receive ratably dividends as may be declared from time to time by our Board of Directors out of funds legally available for that purpose. In the event of our liquidation, dissolution, or winding up, the holders of Common Stock are entitled to share ratably in our assets available for distribution to such holders. All issued and outstanding shares of Common Stock are fully paid and non-assessable.

Anti-Takeover Provisions of Delaware Law

We are subject to Section 203 of the Delaware General Corporation Law, which prohibits a publicly-held Delaware corporation from engaging in a "business combination," except under certain circumstances, with an "interested stockholder" for a period of three years following the date such person became an "interested stockholder" unless:

- before such person became an interested stockholder, the board of directors of the corporation approved either the business combination or the transaction that resulted in the interested stockholder becoming an interested stockholder;

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upon the consummation of the transaction that resulted in the interested stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares held by directors who also are officers of the corporation and shares held by employee stock plans; or

- at or following the time such person became an interested stockholder, the business combination is approved by the board of directors of the corporation and authorized at a meeting of stockholders by the affirmative vote of the holders of 66 2/3% of the outstanding voting stock of the corporation which is not owned by the interested stockholder.

The term “interested stockholder” generally is defined as a person who, together with affiliates and associates, owns, or, within the three years prior to the determination of interested stockholder status, owned, 15% or more of a corporation’s outstanding voting stock. The term “business combination” includes mergers, asset or stock sales and other similar transactions resulting in a financial benefit to an interested stockholder. Section 203 makes it more difficult for an “interested stockholder” to effect various business combinations with a corporation for a three-year period. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by our Board of Directors, including discouraging attempts that might result in a premium over the market price for the shares of Common Stock held by stockholders.

Registration Rights Agreement

Pursuant to the Registration Rights Agreement, we are required to file a resale registration statement for the Shares and Common Stock underlying the Warrants within 30 days of the closing date (the Filing Deadline) and have it declared effective at the earlier of (i) the 90th calendar day after the closing date and (ii) the fifth business day after the date the Company is notified by the SEC that such Registration Statement will not be reviewed or will not be subject to further review (the Effectiveness Deadline). The Registration Rights Agreement contains penalties for failure to comply with the terms of the agreement, including monthly liquidated damages in an amount equal to 1.5% of the aggregate subscription amount for failure to meet the Effectiveness Deadline, up to a maximum of 12% of the aggregate subscription amount.

If at any time all of the shares of Common Stock or shares of Common Stock underlying the Warrants are not covered by the initial Registration Statement, the Company agrees to file with the SEC one or more additional Registration Statements so as to cover all of the shares of Common Stock and shares of Common Stock underlying the Warrants not covered by such initial Registration Statement, in each case, as soon as practicable, but in no event later than the applicable filing deadline for such additional Registration Statements as provided in the Registration Rights Agreement.

The Company shall keep the Registration Statement effective until the earlier of (i) the date on which the securities may be resold by the Selling Securityholders without registration and without regard to any volume or manner-of-sale limitations by reason of Rule 144, without the requirement for the Company to be in compliance with the current public information under Rule 144 under the Securities Act or any other rule of similar effect or (ii) all of the securities have been sold pursuant to this prospectus or Rule 144 under the Securities Act or any other rule of similar effect.

Description of Warrants

After the closing of the Private Placement, there were Warrants to purchase up to 42,000,000 shares of Common Stock at an exercise price of $0.348 per share outstanding. The Warrants were exercisable immediately upon closing of the Private Placement and have a term of three (3) years.

The Warrants, at the option of the holder, may be exercised by cash payment of the exercise price to the Company. The Warrants may be exercised on a cashless basis commencing at the earlier of (i) one year after issuance or (ii) the completion of the then-applicable holding period required by Rule 144, if no registration statement registering the shares underlying the Warrants is then in effect. The exercise price and number of shares of Common Stock issuable on exercise of the Warrants may be adjusted in certain circumstances including stock dividends, recapitalizations,

reorganizations, mergers or consolidations.

No fractional shares will be issued upon exercise of the Warrants. If, upon exercise of the Warrants, a holder would be entitled to receive a fractional interest in a share, we will, upon exercise, at our election, either pay a cash adjustment or round up to the nearest whole number, the number of shares of Common Stock to be issued to the Warrant holder.

Transfer Agent and Registrar

The transfer agent and registrar for our Common Stock is American Stock Transfer & Trust Company LLC.

OTCQB Marketplace

Our Common Stock is traded on the OTCQB Marketplace operated by OTC Markets Group under the trading symbol "BCLI."

OUR BUSINESS

Company Overview

We are a biotechnology company developing novel adult stem cell therapies for debilitating neurodegenerative disorders such as ALS, MS and PD. These diseases have limited treatment options and as such represent unmet medical needs.

We believe that NurOwn, our proprietary process for the propagation of MSC and their differentiation into NTF secreting cells (MSC-NTF), and their transplantation at, or near, the site of damage, offers the hope of effectively treating neurodegenerative diseases.

Our approach is considered safe based on our use of autologous cells, which are considered to be free of the risk of rejection. Furthermore, MSC are known to be safe with no risk of tumor formation. The use of adult stem cells is also free of the controversy associated with the use of embryonic stem cells in some countries.

Our core technology was developed in collaboration with prominent neurologist Prof. Eldad Melamed, former head of Neurology of the Rabin Medical Center and member of the Scientific Committee of the Michael J. Fox Foundation for Parkinson's Research, and expert cell biologist Prof. Daniel Offen of the Felsenstein Medical Research Center of Tel Aviv University.

Our Israeli Subsidiary, holds rights to commercialize the technology, through a licensing agreement with Ramot, the technology licensing company of Tel Aviv University, Israel.

On February 8, 2010, our Israeli Subsidiary entered into an agreement with Hadassah, pursuant to which Hadassah provides the Israeli Subsidiary with lab services.

On February 17, 2010, our Israeli Subsidiary entered into the Clinical Trial Agreement. Under the Clinical Trial Agreement, Hadassah and our personnel agreed to conduct a clinical trial to evaluate the safety and tolerability of our NurOwn cells in patients with ALS, in accordance with a protocol developed jointly by us and Professor Karussis.

In February 2011, the U.S. FDA granted Orphan Drug designation to NurOwn for the treatment of ALS.

In June 2011, we initiated a Phase I/II clinical trial for the treatment of ALS with NurOwn at the HUMC with Principal Investigator Professor Dimitrios Karussis, after receiving approval from the Israeli MoH.

In July 2011, we entered into a Memorandum of Understanding with MGH and UMass in anticipation of applying for FDA approval to begin ALS human clinical trials in the United States. In March 2014, we entered into a definitive agreement with MGH and launched a Phase II clinical trial in the second quarter of 2014, and we expect to enter into a definitive agreement with UMass for the same.

In July 2012, together with Professor Karussis, we submitted an interim safety evaluation report to the Israeli MoH for the first 12 of 24 patients in the Phase I/II clinical trial. The report confirmed that our NurOwn therapy is safe, did not cause any adverse side effects, and some of the patients showed promising indications of clinical improvement.

In January 2013, the Israeli MoH approved a Phase IIa combined (intramuscular and intrathecal) treatment, dose-escalating trial, which we are currently conducting at HUMC. According to the protocol for this safety and preliminary efficacy trial, 12 early-stage ALS patients received both intramuscular and intrathecal injections of NurOwn cells in three cohorts with increasing doses between February and August 2013. The patients were followed for six months after transplantation. Due to medical and technical considerations, two additional patients were enrolled in the trial in late 2013, in order to preserve the originally planned protocol design. These two patients were treated at the beginning of the second quarter of 2014. The complete and final statistical analysis of the Phase IIa data is expected to be available after 6 months of follow up with the patients.

In January 2013, we also announced that we had successfully completed a 12-week repeat dose toxicity study with our NurOwn cells in mice. These repeat doses were prepared from frozen cells, using a proprietary method recently developed by the Company. We believe that our cryopreservation, or freezing, method will enable long-term storage, and production of repeat patient doses of NurOwn without the need for additional bone marrow aspirations. We believe that the positive data from the toxicity study in mice will support our efforts to obtain approval for a future repeat dose clinical study in ALS patients. The study was conducted at Harlan Israel's laboratories, according to GLP standards. The study protocol was approved by Israel's National Council for Animal Experimentation.

In March 2013, Principal Investigator Professor Dimitrios Karussis of Hadassah presented some of the data from the Phase I/II trial at the American Academy of Neurology Annual Meeting. The trial results analyzed to date confirmed the safety of the NurOwn Treatment and also demonstrated initial signs of possible efficacy. There was a slower decline in overall clinical and respiratory function, as measured by the ALSFRS-R and FVC score respectively, in the six patients that received an intrathecal injection of the cells, in the six months following treatment as compared to the three months preceding treatment.

On March 14, 2013, we entered into a Memorandum of Understanding with Mayo in Rochester, Minnesota, to participate as an additional clinical site in the multi-center Phase II ALS clinical trial in the USA. The team there will be led by Professor Anthony J. Windebank, Head of the Regenerative Neurobiology Laboratory in the Department of Neurology. In January 2014, we announced that we had entered into a definitive agreement with Mayo to conduct the trial and manufacture NurOwn cells in their cell processing cleanroom facility.

Effective April 3, 2013, our Israeli Subsidiary entered into a manufacturing agreement with Dana-Farber under which Dana-Farber's Connell and O'Reilly Cell Manipulation Core Facility will produce NurOwn in its cGMP-compliant clean rooms for the MGH and UMass clinical sites during our upcoming Phase II ALS clinical trial in the United States.

On May 21, 2013, we submitted a safety report to the hospital Helsinki Committee (IRB) for the first group of (four) patients in our ongoing Phase IIa ALS clinical trial at the Hadassah Medical Center in Jerusalem, Israel.

In June 2013, we entered into a MOU with PRC Clinical, a CRO based in the San Francisco Bay Area, in anticipation of our planned Phase II multi-center ALS clinical trial in the United States.

On July 17, 2013, we received Orphan Medicinal Product Designation for NurOwn for the treatment of ALS from the European Commission.

On August 1, 2013, we announced that we submitted a favorable safety report to the hospital Helsinki Committee (IRB) for the second group of (four) patients in our ongoing Phase IIa ALS clinical trial at the Hadassah Medical Center in Jerusalem, Israel. We announced that the treatment was well tolerated and no serious adverse events were observed, except for one SAE (death due to cardiopulmonary arrest) that was reported as non-treatment related.

In September 2013, we announced that we had completed treatment of the 12 patients in our ALS Phase IIa NurOwn dose-escalating clinical trial. We have been informed that one patient in the study expired due to a medical condition unrelated to the Clinical Trial.

In October 2013, we launched our activities in the US in preparation of our Phase II multi-center clinical trial, with the initiation of the NurOwn technology transfer process to the DFCI. This process was completed on March 31, 2014.

On December 10, 2013, we announced that Prof. Karussis had presented some of his preliminary findings from our ALS Phase IIa NurOwn dose-escalating clinical trial at the 24th International Symposium on ALS/MND in Milan, Italy. According to Prof. Karussis, the safety data are "impressively positive," with only minimal and transient (procedure related) adverse events, even though the patients in this study were injected both intrathecally and intramuscularly with up to double the dose of NurOwn cells given in the Phase I trial. In addition, a number of patients showed some initial indications of clinical improvement.

In December 2013, the Company submitted an IND application to the FDA.

On December 4, 2013, a Notice of Intention to Grant from the EPO was issued for the Company's patent application entitled "Isolated Cells and Populations Comprising Same for the Treatment of CNS Diseases" (European serial number EP06766101.7). This patent relates to the production method for the Company's proprietary stem cells induced to secrete large quantities of neurotrophic factors for the treatment of neurodegenerative diseases.

On February 11, 2014, a Notice of Allowance was issued from the U.S. Patent Office for the same patent application as above, U.S. serial number 11/727,583.

On March 24, 2014, the Israeli Subsidiary entered into a clinical trial agreement with The General Hospital Corporation d/b/a MGH, to conduct a Phase II clinical trial of the Company’s NurOwn in ALS, pending FDA and IRB approvals.

In March 2014, the U.S. Patent and Trademark Office granted the Company a key patent for its autologous stem cell technology. The patent covers the Company's stem cells induced to secrete elevated levels of neurotrophic factors for the treatment of neurodegenerative diseases.

On April 10, 2014, the Company announced that the U.S. Patent and Trademark Office granted the Company an additional patent for its autologous stem cell technology. The patent covers the production method of the Company's proprietary stem cells induced to secrete significantly elevated levels of neurotrophic factors for the treatment of neurodegenerative diseases.

On April 8, 2014, the FDA approved commencement of its Phase II clinical trial with NurOwn in patients with ALS. On June 6, 2014, the Company issued a press release announcing that its Phase II ALS clinical trial has now commenced with the enrollment of the first patient at MGH in Boston, Massachusetts. The Company’s Phase II trial is a randomized, double-blind, placebo controlled multi-center study designed to evaluate the safety and efficacy of transplantation of Autologous Mesenchymal Stem Cells Secreting Neurotrophic Factors (MSC-NTF or NurOwn) in 48 ALS patients. The trial is also being conducted at the UMass Memorial Hospital in Worcester, Massachusetts and the Mayo Clinic in Rochester, Minnesota.

On June 1, 2014, the interim results from our Phase IIa ALS trial conducted at Hadassah Medical Center in Jerusalem, Israel were presented at the Joint Congress of European Neurology by Principal Investigator Professor Dimitrios Karussis. The positive safety and preliminary efficacy results observed in this study are consistent with results observed in the Company's previous Phase I/II trial. Between these two studies, a total of 26 patients have been treated with NurOwn, the Company’s stem cell therapy candidate for ALS. In all 26 patients who received NurOwn in the two trials, no treatment-related serious adverse events were observed. In the three month pre-treatment “run-in” period, 71% of the patients showed progression of disease with decline in neurological function. In contrast, in the three months

post-transplantation with NurOwn, 63% of the patients who received intrathecal (IT), or combined IT and intramuscular (IM) administration, showed stabilization or improvement in neurological function, as measured by their revised ALS functional rating score (ALSFRS-R). Additionally, as Prof. Karussis discussed during his presentation, in both phases of the trial, 63% of the patients treated with NurOwn via IT or combined IT and IM administration were defined as “responders” (slower progression of disability or improvement in their neurological function) at 3 months post-treatment, based on both their ALSFRS-R score and Forced Vital Capacity (FVC), an indication of respiratory function. The six patients treated with NurOwn in the earlier Phase I/II trial via IM administration only, primarily exhibited a localized positive effect. Similarly, in the same Phase I/II trial, the IT transplanted patients also showed indications of neurotrophic and regenerative effects, as evidenced by an increase in Compound Muscle Action Potential (CMAP).

On June 6, 2014, the Company announced that the first patient had been enrolled in its Phase II ALS trial at MGH in Boston.

On June 6, 2014, the Company appointed Uri Yablonka as its Chief Operating Officer and director.

On June 9, 2014, the Company appointed Dr. Anthony (Tony) Fiorino as its Chief Executive Officer.

On June 10, 2014, the Company announced that it has initiated a study in a mouse model of autism at the Felsenstein Medical Research Center, Sackler Faculty of Medicine, Tel Aviv University, under the direction of Professor Daniel Offen. The study will explore the effects of the Company's MSC-NTF cells on mouse behavior. The study, which will be conducted using the BTBR mouse model for autism, will investigate repetitive behavior, increased cognitive flexibility and improved sociability in mice after administration of a single intracerebroventricular injection of the cells.

On June 27, 2014, the Company announced that its technology collaboration with Octane Biotech, Inc. reached an important milestone with the construction of an Alpha prototype of a customized bioreactor for NurOwn production. The proprietary bioreactor under development will, if successful, provide the Company with large-scale manufacturing capabilities, enabling it to achieve economies of scale in the manufacture of NurOwn.

Our Proprietary Technology

Our NurOwn technology is based on a novel differentiation protocol which induces differentiation of the bone marrow-derived mesenchymal stem cells into neuron-supporting cells, MSC-NTF cells, capable of releasing several neurotrophic factors, including GDNF and BDNF, VEGF and HGF which are critical for the growth, survival and differentiation of developing neurons. GDNF is one of the most potent survival factors known for peripheral neurons. VEGF and HGF have been reported to have important neuro-protective effects in ALS.

Our approach to treatment of neurodegenerative diseases with autologous adult stem cells includes a multi-step process beginning with harvesting of undifferentiated stem cells from the patient's own bone marrow, and concluding with transplantation of differentiated, neurotrophic factor-secreting mesenchymal stem cells (MSC-NTF) into the same patient – intrathecally and/or intramuscularly. Intrathecal (injection into the cerebrospinal fluid) transplantation consists of injection with a standard lumbar puncture; there is no need for a laminectomy – an invasive, orthopedic spine operation to remove a portion of the vertebral bone, as required by other technologies. Intramuscular (injection directly into muscle) transplantation is performed via a standard injection procedure as well.

Our proprietary, production process for induction of differentiation of human bone marrow derived mesenchymal stem cells into differentiated cells that produce NTF (MSC-NTF) for clinical use is conducted in full compliance with cGMP.

Our proprietary technology is licensed to and developed by our Israeli Subsidiary.

The NurOwn Transplantation Process

- Bone marrow aspiration from patient;
- Isolation and expansion of the mesenchymal stem cells;
- Differentiation of the expanded stem cells into neurotrophic-factor secreting (MSC-NTF) cells; and
- Autologous transplantation into the patient's spinal cord or muscle tissue.

Differentiation before Transplantation

The ability to induce differentiation of autologous adult mesenchymal stem cells into MSC-NTF cells *before* transplantation is unique to NurOwn, making it the first-of-its-kind for treating neurodegenerative diseases.

The specialized cells secrete neurotrophic factors for:

- Protection of existing motor neurons;
- Promotion of motor neuron growth; and
- Re-establishment of nerve-muscle interaction.

Autologous (Self-transplantation)

The NurOwn approach is autologous, or self-transplanted, using the patient's own stem cells. In autologous transplantation there is no risk of rejection and no need for treatment with immunosuppressive agents, which can cause severe and/or long-term side effects. In addition, the use of adult stem cells is free of controversy associated with the use of embryonic stem cells in some countries.

Transplantation site and method

Clinical Indication I: ALS (current) – Based on the approval of the Israeli MoH, we are currently conducting a Phase IIa dose-escalating trial to evaluate safety and preliminary efficacy of NurOwn in ALS patients. Following approval of our IND application by the FDA, we have launched our Phase II clinical trial in the USA. We are considering whether to conduct further Phase II/III repeat dose clinical trials of NurOwn.

Future Clinical Development. Future development of NurOwn in ALS will require additional clinical trials, including the administration of repeated doses to ALS patients enrolled in those trials. The design and timing of subsequent clinical trials in ALS is currently under review by the Company. In addition, the Company is reviewing the potential clinical development of NurOwn in other neurodegenerative disorders.

History

The Company was incorporated under the laws of the State of Washington on September 22, 2000, under the name Wizbang Technologies, Inc. and acquired the right to market and sell a digital data recorder product line in certain states in the U.S. Subsequently, the Company changed its name to Golden Hand Resources Inc. On July 12, 2004, the Company entered into a research and license agreement with Ramot to acquire certain stem cell technology and decided to discontinue all activities related to the sales of the digital data recorder product. In November 2004, the Company changed its name from Golden Hand Resources Inc. to Brainstorm Cell Therapeutics Inc. to better reflect its new line of business in development of novel cell therapies for neurodegenerative diseases. In October 2004, the Company formed its wholly-owned subsidiary, Brainstorm Cell Therapeutics Ltd. in Israel. On December 18, 2006, the stockholders of the Company approved a proposal to change the state of incorporation of the Company from the State of Washington to the State of Delaware. The reincorporation was completed on December 21, 2006 through the merger of the Company into a newly formed, wholly-owned Delaware subsidiary of Brainstorm, also named Brainstorm Cell Therapeutics Inc. On February 19, 2013, the Israeli Subsidiary formed its wholly-owned subsidiary, Brainstorm Cell Therapeutics UK Ltd. in the United Kingdom (the UK Subsidiary).

Other Recent Developments

Public Offerings

On August 16, 2013, the Company closed a public offering of an aggregate of 23,529,411 units at a public offering price of $0.17 per unit, with each unit consisting of one share of our Common Stock, and 0.75 of a warrant to

purchase one share of our Common Stock at an exercise price of $0.25 per whole share of Common Stock (the 2013 Public Offering). The warrants were immediately exercisable and will expire three years from the issuance date. No units were issued, however, and purchasers received only shares of Common Stock and warrants. The Common Stock and the warrants may be transferred separately immediately upon issuances. We do not intend to list the warrants on any securities exchange or other trading market and we do not expect that a public trading market will develop for the warrants. The net proceeds to the Company were approximately $3.3 million, assuming no exercise of the warrants and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us associated with the 2013 Public Offering.

On July 17, 2012, we raised approximately $5.7 million through a public offering (the 2012 Public Offering) of our Common Stock. We issued a total of 19,818,968 shares of our Common Stock at $0.29 per share and 14,864,228 warrants to purchase shares of Common Stock for every share purchased in the 2012 Public Offering, at an exercise price of $0.29 per share. The warrants are exercisable until the 30 month anniversary of the date of issuance. After deducting closing costs and fees, we received net proceeds of approximately $5 million.

Governmental Grants

In September 2011, we received notice from the Israeli Office of the Chief Scientist (OCS) of its commitment to grant the Company approximately $1.1 million in accordance with OCS guidelines and the relevant plan approved by the OCS (the Approved Plan).

In 2012, we received notices from the OCS of its commitment to grant the Company approximately $1,086,000 for the year ending June 30, 2013.

In December 2013, we were awarded an $800,000 non-dilutive grant from Israel's Office of the OCS for the year 2014.

In February 2014, we were awarded an additional $600,000 non-dilutive grant from the OCS for 2014.

With regards to any funding received from the OCS, we are obligated to pay royalties to the OCS, amounting to 3% to 3.5% of revenues (subject to the relevant regulations, as amended from time to time) derived from sales of the products funded with the OCS grant, depending on the origin of the products' production. Such royalty payments shall be up to an amount equal to 100% of the grant received. The grant is linked to the exchange rate of the U.S. dollar and bears interest of Libor per annum.

Any plan approved by the OCS research committee for grant funding is subject to Israel's Encouragement of Industrial Research and Development Law, 5744 – 1984 (R&D Law), which, among others, restricts the transfer of any know-how (as further defined therein) and the transfer of the manufacture of the outcome product of such Approved Plan outside of Israel.

The research committee may, in special cases, approve the transfer abroad of know-how or any right thereof, derived from research and development conducted under the Approved Plan in Israel, in exchange for receiving know-how from the party abroad; provided, however, that such exchange is towards joint and new research and development.

The research committee may, in special cases and on grounds to be recorded, approve a request to transfer outside of Israel, the manufacturing or the rights to manufacture a product developed within the framework of the Approved Plan; provided, however, that in exchange for such approval, the OCS shall be entitled to, *inter alia*, payment of increased royalties due to the transfer of such manufacturing rights.

Collaboration with Octane Biotech

On December 10, 2012, we signed a development agreement (the Octane Agreement) with Octane Biotech Inc. of Kingston, Ontario (Octane), to jointly collaborate towards developing proprietary bioreactor for scale up production of our NurOwn treatment. The customized bioreactor (the NurOwn Bioreactor) will enable us to enhance the efficiency of our NurOwn production process, significantly increasing our production capabilities by using a single clean room for multiple patients, reducing costs and time.

According to the Octane Agreement, in the event that the parties successfully complete the development of the NurOwn Bioreactor, the parties reserve the right to enter into an agreement for the supply of clinical products and/or provisions of services.

The Octane Agreement further dictates that Octane shall be prohibited from selling and/or transferring the NurOwn Bioreactor to any third party without our prior written consent.

The 3-year collaborative project with a total budget of 1,365,000 Canadian dollars is being supported by the Canada-Israel Industrial Research and Development Foundation which collaborates with the Israeli OCS. The Israeli OCS has confirmed its participation, in such project, of approximately U.S. $141,000 for the first year, which comprises 50% of our budget of approximately U.S. $282,000 for that period.

By the fourth quarter of 2013, Octane developed a first automation system prototype for culturing NurOwn cells, and for process development and optimization.

Development of Cryopreservation Method

In January 2013, we announced the development of a proprietary method for cryopreservation, or freezing, of cells, which will enable long-term storage, and production of repeat patient doses of NurOwn without the need for additional bone marrow aspirations. We believe that cryopreservation will enable us to create a personalized NurOwn stem cell bank for each patient, for ongoing, repeat treatments.

Orphan Drug Status by the European Medicine Agency (EMA)

On July 17, 2013, we received Orphan Medicinal Product Designation for our NurOwn for the treatment of ALS from the European Commission. Orphan designation grants a 10-year marketing exclusivity in the EU for the designated indication, as well as several other regulatory incentives.

Clinical Trial Update

On September 27, 2013, we announced that we had completed treatment of 12 patients in our ALS Phase IIa NurOwn dose-escalating clinical trial. We have been informed that one patient in the study expired due to a medical condition unrelated to the Clinical Trial. An interim safety summary for the first 12 patients in the study was submitted to the Hadassah Medical Center Ethical Committee about two months after transplantation of the 12th patient. One SAE (Serious Adverse Event, death due to cardiopulmonary arrest) was reported as non-treatment related. The majority of the other AE observed were procedure related and not treatment related. In the three months following this summary, one patient chose to undergo euthanasia and discontinued the study. Due to medical and technical considerations, two additional patients were enrolled in the trial in late 2013, in order to preserve the originally planned protocol design. These two patients were treated at the beginning of the second quarter of 2014. The complete and final statistical analysis of the Phase IIa data is expected to be available after 6 months of follow up with the patients.

On December 10, 2013, we announced that Prof. Karussis presented some of his preliminary findings from our ALS Phase IIa NurOwn dose-escalating clinical trial at the 24th International Symposium on ALS/MND in Milan, Italy. According to Prof. Karussis, the safety data are "impressively positive," with only minimal and transient adverse events, even though the patients in this study were injected both intrathecally and intramuscularly with up to double the dose of NurOwn cells given in the Phase I trial. In addition, a number of patients showed some initial indications of clinical improvement.

On March 24, 2014, the Israeli Subsidiary entered into a clinical trial agreement with MGH, to conduct a Phase II clinical trial of the Company's NurOwn in ALS, pending FDA and IRB approvals.

On June 1, 2014, the interim results from our Phase IIa ALS trial conducted at Hadassah Medical Center in Jerusalem, Israel were presented at the Joint Congress of European Neurology by Principal Investigator Professor Dimitrios Karussis. The positive safety and preliminary efficacy results observed in this study are consistent with results observed in the Company's previous Phase I/II trial. Between these two studies, a total of 26 patients have been treated with NurOwn, the Company's stem cell therapy candidate for ALS.

On June 6, 2014, we announced that our Phase II ALS clinical trial commenced with the enrollment of the first patient at MGH in Boston, Massachusetts. Our Phase II trial is a randomized, double-blind, placebo controlled multi-center study designed to evaluate the safety and efficacy of transplantation of Autologous Mesenchymal Stem Cells Secreting Neurotrophic Factors (MSC-NTF or NurOwn) in 48 ALS patients. The trial is also being conducted at the UMass Memorial Hospital in Worcester, Massachusetts and the Mayo Clinic in Rochester, Minnesota.

Chief Executive Officer

On July 28, 2013, Alon Natanson, Chief Executive Officer of the Company, informed us of his resignation from his position with the Company effective 90 days after the notice. Mr. Natanson continued to hold the title of Chief Executive Officer of the Company until October 28, 2013, the end of the 90 day notice period required by Mr. Natanson's employment agreement.

On August 1, 2013, the Company appointed Chaim Lebovits, the President of the Company, as its Principal Executive Officer, and to assume the duties and responsibilities of the Chief Executive Officer on an interim basis while we searched for a new Chief Executive Officer.

On June 9, 2014, the Company appointed Dr. Tony Fiorino as our Chief Executive Officer.

Our efforts are currently directed at:

- Completing a Phase IIa dose-escalating clinical trial of NurOwn for the treatment of ALS with 14 ALS patients in Israel;
- Conducting technology transfer of the NurOwn manufacturing process to the Mayo Clinic cell culture facility in Rochester and monitoring the activities at the Dana Farber Cell culture facility (DFCI) in Boston, having completed the technology transfer to this site;
- Fulfilling all requirements for IND approval;
- Obtaining IRB approval at the Mayo clinical site;
- Initiating a Phase II ALS clinical trial of NurOwn in the United States;
- Collaborating with Octane on development of a customized NurOwn bioreactor; and
- Completing pre-clinical studies of NurOwn for the treatment of MS.

Stem Cell Therapy

Our activities are within the stem cell therapy field. Stem cells are non-specialized cells with a potential for both self-renewal and differentiation into cell types with a specialized function, such as muscle, blood or brain cells. The cells have the ability to undergo asymmetric division such that one of the two daughter cells retains the properties of the stem cell, while the other begins to differentiate into a more specialized cell type. Stem cells are therefore central to normal human growth and development, and also are a potential source of new cells for the regeneration of diseased and damaged tissue. Stem cell therapy aims to restore diseased tissue function by the replacement and/or addition of healthy cells by stem cell transplants.

Currently, two principal platforms for cell therapy products are being explored: (i) embryonic stem cells (ESC), isolated from the inner mass of a few days old embryo; and (ii) adult stem cells, sourced from bone marrow, cord blood and various organs. Although ESCs are the easiest to grow and differentiate, their use in human therapy is limited by safety concerns associated with their tendency to develop teratomas (a form of tumor) and their potential to elicit an immune reaction. In addition, ESC has generated much political and ethical debate due to the derivation of ESCs from aborted fetuses.

Cell therapy using adult stem cells avoids many of these concerns. Mesenchymal stem cells (MSCs) are an example of adult stem cells. These “multi-potent” cells can produce more than one type of specialized cell of the body, such as bone, fat, cartilage, and other types of cells. They secrete factors that promote tissue repair, and decrease inflammatory and immune reactions. The bone marrow is an invaluable source of MSCs. Moreover, bone marrow may be obtained through a simple procedure of aspiration, from the patient himself, enabling autologous cell therapy, thus obviating the need for donor matching, circumventing immune rejection and other immunological mismatch risks, as well as avoiding the need for immunosuppressive therapy. We believe that autologous bone marrow-derived mesenchymal stem cells, which are capable of in-vitro growth and multipotential differentiation, are a preferable source of therapeutic stem cells.

Neurodegenerative Diseases

Studies of neurodegenerative diseases suggest that symptoms that arise in afflicted individuals are secondary to defects in neuron cell function and neural circuitry. To date, these diseases have been treated effectively with systemic drug delivery. Consequently, alternative approaches for treating neurodegenerative diseases have been attempted, such as transplantation of cells capable of replacing or supplementing the function of damaged neurons. For such cell replacement therapy to work, implanted cells must survive and integrate, both functionally and structurally, within the damaged tissue.

Amyotrophic Lateral Sclerosis (ALS)

ALS, often referred to as “Lou Gehrig's disease,” is a progressive neurodegenerative disease that affects nerve cells in the brain and the spinal cord. Motor neurons reach from the brain to the spinal cord and from the spinal cord to the muscles throughout the body. The progressive degeneration of the motor neurons in ALS eventually leads to death. As motor neurons degenerate, they can no longer send impulses to the muscle fibers that normally result in muscle movement. With voluntary muscle action progressively affected, patients in the later stages of the disease may become completely paralyzed. However, in most cases, mental faculties are not affected.

Approximately 5,600 people in the U.S. are diagnosed with ALS each year. It is estimated that as many as 30,000 Americans have the disease at any given time. Estimated annual treatment costs for advanced stage patients can be as high as $200,000, representing an aggregate direct cost to the healthcare system of more than $6 billion per year (Source: Alliance for Regenerative Medicine).

Early symptoms of ALS often include increasing muscle weakness or stiffness, especially involving the arms and legs, speech, swallowing or breathing.

ALS is most often found in the 40 to 70 year age group with the same incidence as MS. There appear to be more MS sufferers because MS patients tend to live much longer, some for 30 years or more. The life expectancy of an ALS patient averages about two to five years from the time of diagnosis. However, up to 10% of ALS patients will survive more than ten years.

Treatment decisions are typically determined by the patient's symptoms and the stage of the disease. Some medications used for ALS patients include:

- Riluzole - the only medication approved by the FDA to slow the progress of ALS. While it does not reverse ALS, Riluzole has been shown to reduce nerve damage. Riluzole may extend the time before a patient needs a ventilator (a machine to assist breathing) and may prolong the patient's life by several months;
- Baclofen or Diazepam - used to control muscle spasms, stiffness or tightening (spasticity) that interfere with daily activities; and
- Trihexyphenidyl or Amitriptyline – used to treat patients who have excess saliva or secretions, and emotional changes.

Other medications may be prescribed to help reduce such symptoms as fatigue, pain, sleep disturbances, constipation, and excess saliva and phlegm.

Multiple Sclerosis (MS)

MS is a chronic neurodegenerative disorder that affects the brain and spinal cord. Nerve cells are normally insulated with a protective layer called myelin, which allows nerve signals to travel properly. In MS, the myelin is destroyed (demyelination), causing loss of function of the nerve cells and disrupting transmission of brain messages to various parts of the body. While generally thought to be an autoimmune disease, the exact cause of MS is unknown.

There are currently over 2.5 million people with MS worldwide, with roughly 800,000 of these in the U.S. and Europe. Over 10,000 new cases are diagnosed annually in the U.S., with the majority of these in women between the ages of 20 and 50. Annual treatment costs for MS can be as much as $34,000 a year per patient.

MS can cause blurred vision, slurred speech, tremors, numbness, extreme fatigue, and problems with memory and concentration. Most MS patients experience muscle weakness in their extremities and difficulty with coordination and balance. These symptoms may be severe enough to impair walking or even standing. In the worst cases, MS can produce partial or complete paralysis. MS is not considered a fatal disease, as the vast majority of people with MS live a normal life-span. But the unpredictability of the disease can present many challenges, including the possibility of facing increasing limitations.

Most people experience MS symptoms between the ages of 20 and 40. At least two to three times more women than men have been diagnosed with MS. MS occurs in most ethnic groups, including African-Americans, Asians and Latinos, but is more common in Caucasians of northern European ancestry.

Treatment of MS focuses on symptom management, treatment of attacks, and reduction of disease progression. Of the nine FDA-approved, disease modifying treatments introduced since 1993, three are interferon-based, two are immunomodulators, one is an immunosuppressant, one is an antineoplastic, one is a monoclonal antibody, and one's exact mechanism is unknown. (Source: National MS Society).

While disease-modifying treatments reduce the progression rate of the disease, they do not stop it. As multiple sclerosis progresses, the symptomatology tends to increase. Therefore, MS treatment management includes symptomatic treatments as well as rehabilitative and psychological approaches such as physical therapy, speech therapy, occupational therapy, support groups, an exercise program, a healthy lifestyle, good nutrition, rest and relaxation.

The variable clinical presentation of MS and the lack of established diagnostic laboratory tests lead to delays and difficulties in diagnosis. New diagnostic methods are being investigated as well as biomarkers for monitoring disease activity.

Parkinson's Disease (PD)

PD is a chronic, progressive disorder, affecting certain nerve cells, which reside in the Substantia Nigra of the brain and which produce dopamine, a neurotransmitter that directs and controls movement. In PD, these dopamine-producing nerve cells break down, causing dopamine levels to drop below the threshold levels and resulting in brain signals directing movement to become abnormal. The cause of the disease is unknown.

Over 6.3 million people worldwide suffer from PD, of whom about one million are in the United States. Most people are diagnosed with the disease between the ages of 55 and 65 and about 85% of people with PD are over the age of 65. Prevalence of PD is increasing in line with the general aging of the population. The market for pharmaceutical treatments for PD has been estimated to be $2.4 billion a year in the U.S., France, Germany, Italy, Spain, the United Kingdom and Japan. However, these costs are dwarfed when compared to the total economic burden of the disease, which has been estimated by the National Parkinson Foundation to exceed $14 billion annually in the U.S. alone, including costs of medical treatment, caring, facilities and other services, as well as loss of productivity of both patients and caregivers.

The symptoms of PD include shaking (tremor), stiff muscles (rigidity) and slow movement (Bradykinesia). A person with fully developed PD may also have a stooped posture, a blank stare or fixed facial expression, speech problems and difficulties with balance or walking. Although it can be highly debilitating, the disease is not life threatening and an average patient's life span is approximately 20 years from the onset of symptoms.

Treatment of PD primarily comprises dopamine replacement, either directly (levodopa), with dopamine mimetics or by inhibition of its breakdown. These treatments focus on treating the symptoms of the disease and are not a cure for PD.

Levodopa, which remains the standard and most potent PD medication available, has a propensity to cause serious motor response complications with long-term use. Moreover, effective drug dosage often requires gradual increase, leading to more adverse side effects and eventual resistance to its therapeutic action. This greatly limits patient benefit. Therefore, physicians and researchers have sought levodopa-sparing strategies in patients with early-stage disease to delay the need for levodopa.

PD is also treated by Deep Brain Stimulation (DBS), which consists of implanting electrodes deep into the brain to provide permanent electrical stimulation to specific areas of the brain and to cause a delay in the activity in those areas. However, DBS is problematic as it can cause uncontrollable and severe side effects such as bleeding in the brain, infection and depression. In addition, like drug therapy, DBS focuses on treating the symptoms of PD and does not provide a cure.

There is a greatly unsatisfied need for novel approaches towards management of PD, primarily to control levodopa-induced adverse side effects and motor dysfunction, as well as to delay the onset of disease-related dementia.

In addition to the symptomatic drug development approaches, there is an intense effort to develop cell and gene therapeutic "curative" approaches to restore the neural function in patients with PD, by (i) replacing the dysfunctional cells with dopamine producing cell transplant, or by (ii) providing growth factors and proteins, such as GDNF, that can maintain or preserve the patient's remaining dopaminergic cells, protecting them from further degeneration. Preclinical evaluation of cell therapeutic approaches based on transplantation of dopaminergic neurons differentiated *in-vitro* from ESC, have been successful in ameliorating PD in animal models, as has direct gene therapy with vectors harboring the GDNF gene. However, these approaches are limited, in the first case, by the safety and ethical considerations associated with use of ESC, and, in the second case, by the safety risks inherent to gene therapy. As a result, intensive efforts have been made to develop an adult stem-cell based treatment.

Company Business Strategy

Our Company is focused on advancing the NurOwn treatment, with the goal of obtaining FDA regulatory approval for uses as a treatment of ALS patients.

- Phase IIa dose-escalating safety and preliminary efficacy clinical trial in Israel;
- Phase II ALS safety and preliminary efficacy clinical trial in the United States; and
- Phase II/III repeat dose clinical efficacy trial.

Additional strategic goals of the Company:

- Development of a customized NurOwn bioreactor for optimization and scale-up of NurOwn production;
- Development of additional clinical indications, i.e. MS;
- Pursuing strategic partnerships with pharmaceutical companies as we progress towards advanced clinical development and commercialization.

Sales and Marketing

We intend to establish and maintain fully-equipped cGMP-certified Cell-Processing Centers in strategic locations to conduct NurOwn production and distribution over the broadest geographic area. Each Cell-Processing Center would receive an initial Bone Marrow sample of the patient, harvested at a medical center. The patient's MSC cells would be isolated and expanded, in order to produce an initial dose of NurOwn cells. A master cell bank for each individual patient would be maintained for production of subsequent, future NurOwn doses on a long-term basis. These doses would be produced as needed and transported to the medical centers, where they would then be transplanted back into the patient.

We intend to seek partnering opportunities with a strategic partner as we progress towards advanced clinical development and commercialization.

Intellectual Property

Patents:

On January 8, 2014 we announced that we received a Notice of Intention to Grant from the European Patent Office (EPO) for our patent application entitled "Isolated Cells and Populations Comprising Same for the Treatment of CNS Diseases" (European serial number EP 06766101.7) . This patent relates to the production method for the company's proprietary stem cells induced to secrete large quantities of neurotrophic factors for the treatment of neurodegenerative diseases.

On February 11, 2014 we were granted a U.S. Patent (No. 8,647,874) for the same patent application as above.

On March 4, 2014 we were granted a U.S. Patent (No. 8,663,987) for our “Mesenchymal Stem Cells for the Treatment of CNS Diseases” (serial number 12/994,761) patent application. This patent relates to our proprietary stem cells induced to secrete large quantities of neurotrophic factors for the treatment of neurodegenerative diseases.

We have pending patent applications in (1) the United States; (2) Europe; (3) Israel; and (4) Hong Kong, as follows:

A. 1. A United States Provisional patent application filed in early 2014.

2. United States Provisional patent application Serial No. 61/679,822, filed August 6, 2012, entitled "Methods of Generating Mesenchymal Stem Cells Which Secrete Neurotrophic Factors.” This application has now been filed as International Application No.: PCT IL2013/050660.

This invention is directed to a method of generating MSCs which secrete neurotrophic factors (NTFs) comprising incubating a population of undifferentiated MSCs in a differentiating medium comprising basic fibroblast growth factor (bFGF), platelet derived growth factor (PDGF), heregulin and cAMP. The application also covers a method of treating a disease for which administration of neurotrophic factors is beneficial in a subject in need thereof, comprising administering to the subject a therapeutically effective amount of isolated population of MSCs which secretes neurotrophic factors made according to the above method. Also taught is a method of selecting MSCs which secrete NTFs from a mixed population of MSCs, comprising (a) analyzing the cells of said mixed population of cells for at least one of the following parameters: (i) cells which express CD44 below a predetermined threshold, or (ii) cells which express CD73 above a predetermined threshold; and (b) selecting cells which are positive for at least one of said parameters, thereby selecting the MSCs which secrete neurotrophic factors. The application teaches a pharmaceutical composition comprising the isolated population of MSCs as an active agent and a pharmaceutically acceptable carrier.

B. The Israeli Subsidiary is co-owner, with Ramot, in the invention entitled “Mesenchymal Stem Cells for the Treatment of CNS Diseases”, filed as a PCT application on May 26, 2009, currently pending as National Phase patent applications in the following countries:

- United States: Serial No. 14/164,286
- Europe: Serial No. 09754337.5
- Europe: Serial No. 13164650.7
- Israel: Serial No. 209604
- Hong Kong: Serial No. 11107062.5

·Hong Kong: Serial No. 13109415.3

This invention is directed to an isolated human cell comprising at least one mesenchymal stem cell phenotype and secreting brain-derived neurotrophic factor (BDNF), wherein a basal secretion of the BDNF is at least five times greater than a basal secretion of the BDNF in a mesenchymal stem cell. Also disclosed in this application is an isolated cell population comprising human mesenchymal stem cells, wherein at least 50% of the cells express glial fibrillary acidic protein (GFAP) and secrete at least one neurotrophic factor. Also taught is an isolated cell population comprising human cells wherein (i) at least N% of said human cells secreting BDNF, wherein a basal secretion of said BDNF is at least five times greater than a basal secretion of the BDNF in a mesenchymal stem cell; (ii) at least M% of said human cells comprise at least one mesenchymal stem cell phenotype; and (iii) at least one of the human cells secretes the BDNF and the mesenchymal stem cell phenotype; where M and N are each independently selected between 1 and 99. Methods of generating same and uses of same are also disclosed. The method of generating cells useful for treating a CNS disease or disorder comprises (a) incubating mesenchymal stem cells in a culture medium comprising platelet lysate to generate propagated mesenchymal stem cells; and (b) incubating said propagated mesenchymal stem cells in a differentiating medium, thereby generating cells useful for treating the CNS disease or disorder. Another method taught is that of generating cells secreting neurotrophic factors, comprising (i) incubating mesenchymal stem cells in a serum free medium comprising platelet lysate to generate propagated mesenchymal stem cells; and (ii) incubating the propagated mesenchymal stem cells in a differentiating medium comprising at least one differentiating agent, said at least one differentiating agent being selected from the group consisting of platelet derived growth factor (PDGF), human neuregulin 1-b1, FGF2, EGF, N2, IBMX and cAMP, thereby generating cells secreting neurotrophic factors. The European applications claim an isolated human cell comprising a cell being non-genetically manipulated, and characterized by: a) expressing tyrosine hydroxylase, nestin and H-NF and b) secreting BDNF, and c) not secreting nerve growth factor (NGF) wherein a basal secretion of said BDNF is at least five times greater than a basal secretion of said BDNF in a mesenchymal stem cell; an isolated cell population comprising cells generated from human bone marrow derived cells expressing CD73, CD90 and CD105 and not expressing CD14, CD19, CD34, CD45 and HLA-DR, wherein at least 50% of the cells of the cell population express GFAP and secrete BDNF; and a method of generating cells useful for treating a CNS disease or disorder, the method comprising: (1) incubating bone marrow derived cells expressing CD73, CD90 and CD105 and not expressing CD14, CD19, CD34, CD45 and HLA-DR in a culture medium comprising human platelet lysate to generate propagated cells; and (2) incubating said propagated cells in a medium comprising a differentiating agent, thereby generating cells useful for treating the CNS disease or disorder, wherein said differentiating agent is selected from the group consisting of PDGF, human neuregulin 1- 1, FGF2, EGF, N2, IBMX and cAMP.

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C. The Israeli Subsidiary is the licensee of the following patent applications owned by Ramot under terms set forth in the Second Ramot Agreement and the Assignment Agreement, as follows:

1. Invention entitled "Isolated Cells and Populations Comprising Same for the Treatment of CNS Diseases", filed as a PCT application on June 18, 2006, currently pending as National Phase patent applications in the following countries:

- Europe: Serial No. 06766101.7
- Europe: Serial No. 11000994.1
- Hong Kong: Serial No. 12112468.4
- United States: Serial No. 14/173,846

This invention is directed to an isolated human cell and populations thereof comprising at least one astrocytic phenotype and at least one mesenchymal stem cell phenotype, wherein the mesenchymal stem cell phenotype is not an astrocytic phenotype; an isolated human cell comprising at least one mesenchymal stem cell phenotype and at least one astrocytic structural phenotype, wherein the mesenchymal stem cell phenotype is not an astrocytic structural phenotype; or an isolated human cell comprising at least one mesenchymal stem cell phenotype and at least one astrocytic functional phenotype, wherein the mesenchymal stem cell phenotype is not an astrocytic functional phenotype. Also taught is a method of generating astrocyte-like cells expressing S100 beta, glial fibrillary acidic protein (GFAP), glutamine sythetase, GLAST, GLTI and glial derived neurotrophic factor (GDNF) comprising (a) culturing mesenchymal stem cells in a medium comprising human epidermal growth factor (hEGF) and human basic fibroblast growth factor (hbFGF); and (b) incubating the mesenchymal stem cells in a differentiating medium comprising platelet derived growth factor (PDGF) and human neuregulin 1-b1, thereby generating astrocyte-like cells. Another disclosed method of generating astrocyte-like cellse teaches (i) incubating mesenchymal stem cells in a medium comprising hEGF and hbFGF to generate cells predisposed to generate into astrocyte-like cells; and (ii) incubating the predisposed cells in a differentiating medium comprising PDGF and human neuregulin 1-b1, thereby generating astrocyte-like cells.

2. Invention entitled "Methods, nucleic acid constructs and cells for treating neurodegenerative disorders", filed on May 17, 2005 as United States patent application Serial No. 13/783,607. This invention is directed to a method of treating a neurodegenerative disorder by administering to an individual in need thereof cells capable of exogenously regulatable neurotransmitter synthesis. The cells are produced by incubating bone marrow stromal cells in a differentiating medium comprising docosahexaenoic acid or arachidonic acid and at least one differentiating agent.

Trademarks:

We own a pending United States application to register the trademark NUROWN (application no. 85154891, filed October 18, 2010) for use in connection with “compositions of cells derived from stem cells for medical purposes; stem cells for medical purposes.” The application was filed based on an intent-to-use the mark, but has not matured to registration yet.

The patent applications, as well as relevant know-how and research results are licensed from Ramot. We intend to work with Ramot to protect and enhance our mutual intellectual property rights by filing continuations and divisional patent applications. New discoveries arising in the course of research and development within the Company will be patented by us independently.

Research and License Agreement with Ramot

On July 12, 2004, we entered into a Research and License Agreement (the Original Ramot Agreement) with Ramot, the technology licensing company of Tel Aviv University, which agreement was amended on March 30, 2006 by the Amended Research and License Agreement (described below). Under the terms of the Original Ramot Agreement, Ramot granted to us a license to (i) the inventions, know-how and results made with respect to the above-mentioned stem cell technology developed by the team led by Prof. Melamed and Prof. Offen in the course of performance of the research, and the patents and pending patent applications owned by Ramot, and (ii) the results of further research to be performed by the same team on the development of the stem cell technology. Simultaneously with the execution of the Original Ramot Agreement, we entered into individual consulting agreements with Prof. Melamed and Prof. Offen pursuant to which all intellectual property developed by Prof. Melamed or Prof. Offen in the performance of services thereunder will be owned by Ramot and licensed to us under the Original Ramot Agreement.

On March 30, 2006 and May 23, 2006, we entered into an Amended Research and License Agreement and an Amendment Agreement to the Amended Research and License Agreement, respectively (the Amended Research and License Agreement) with Ramot. Under the Amended Research and License Agreement, the funding of further research relating to the licensed technology in an amount of $570,000 per year was reduced to $380,000 per year. Moreover, under the Amended Research and License Agreement, the initial period of time that we agreed to fund the research was extended from an initial period of two (2) years to an initial period of three (3) years. The Amended Research and License Agreement also extended the additional two-year period in the Original Ramot Agreement to an additional three-year period, if certain research milestones were met.

We entered into a Second Amended and Restated Research and License Agreement with Ramot on July 26, 2007, effective July 12, 2004 (the Second Ramot Agreement), which amended and replaced the Amended Research and License Agreement. The Second Ramot Agreement imposed on us development and commercialization obligations, milestone and other obligations. The license was granted in consideration for (i) royalty payments ranging from three percent (3%) to five percent (5%) of all net sales and (ii) potential payments concerning sublicenses ranging from twenty percent (20%) to twenty-five percent (25%) of sublicense receipts. In addition, in the event that the research period was extended for an additional three year period in accordance with the terms of the Second Ramot Agreement, then we had to make payments to Ramot for each year of the extended research period in the amount of $380,000. As of June 30, 2007, we owed Ramot an aggregate amount of $513,249 in overdue payments and patent fees under the Amended Research and License Agreement.

On August 1, 2007, we obtained a waiver and release from Ramot pursuant to which Ramot agreed to an amended payment schedule regarding our payment obligations under the Second Ramot Agreement and waived all claims against us resulting from our previous breaches, defaults and non-payment under the Amended Research and License Agreement.

After our failure to meet the amended payment schedule and subsequent negotiations, on December 24, 2009, we entered into a Letter Agreement and an amended agreement to the Second Ramot Agreement (collectively, the Letter Agreement) with Ramot, pursuant to which, among other things, Ramot agreed to: (i) release us from our obligation to fund three years of additional research (which would have totaled $1,140,000) and (ii) accept conversion of certain research payments due in the amount of $272,000 into 1,120,000 shares of our Common Stock. Pursuant to the Letter Agreement, we agreed, among other things, to: (i) reimburse Ramot for outstanding patent-related expenses; and (ii) abandon our rights in certain joint patent rights and patents of Ramot in certain countries.

As of February 2011, Ramot had sold the 1,120,000 shares of Common Stock of the Company for approximately $235,000 and we paid the remaining $5,000 due to Ramot. To date there is no additional debt to Ramot.

On December 20, 2011, we entered into an Assignment Agreement with our Israeli Subsidiary (the Assignment Agreement), with the consent of Ramot. Under the Assignment Agreement, we assigned and transferred all of our rights, interests, titles, liabilities and obligations (the Rights) under the Second Ramot Agreement to our Israeli Subsidiary, effective as of January 1, 2007 and our Israeli Subsidiary agreed to assume all such Rights. We agreed to be a guarantor of all obligations of our Israeli Subsidiary under the Second Ramot Agreement and Ramot can look to us to demand compliance with the Second Ramot Agreement.

In May 2012, we, the Israeli Subsidiary and Prof. Offen entered into a Consulting Agreement, effective as of January 1, 2012, which replaced the previous consulting agreement, dated July 31, 2004, pursuant to which all work product resulting from the provision of services will vest solely with the Israeli Subsidiary and if any work product resulting from the provision of services results in the creation or development of intellectual property it will be deemed a joint invention, and will be jointly owned by Ramot and the Israeli Subsidiary.

Government Regulation and Product Approval

Once fully developed, we intend to market our bone marrow derived differentiated neurothrophic-factor secreting cell products, NurOwn, for autologous transplantation in patients by neurologists in medical facilities in the U.S., Europe, Japan and the Pacific Rim. We plan to submit biologics license application (BLA) in the United States for the development of NurOwn for the treatment of ALS patients. We initiated the regulatory process with a Pre-IND meeting with the FDA in September 2012, and submitted our IND application in December 2013. We have retained expert regulatory consultants to assist us in our approach to the FDA.

In January 2013, the EMA Committee for Advanced Therapies classified NurOwn as an Advanced Therapy Medicinal Product.

Government authorities in the United States at the federal, state and local level extensively regulate, among other things, the research, development, testing, manufacture, quality control, approval, labeling, packaging, storage, record-keeping, promotion, advertising, distribution, marketing, export and import of products such as those we are developing. Our product candidates must receive final approval from the FDA before they may legally be marketed in the United States or by the appropriate foreign regulatory agency before it may be legally marketed in foreign countries.

U.S. Drug Development Process

In the United States, the FDA regulates drugs under the Federal Food, Drug, and Cosmetic Act, or FDCA, and implementing regulations. Drugs are also subject to other federal, state and local statutes and regulations. Biologics are subject to regulation by the FDA under the FDCA, the Public Health Service Act, or the PHSA, and related regulations and other federal, state and local laws and regulations. Biological products are therapies used to treat disease and health conditions. They include a wide variety of products including vaccines, blood and blood components, gene therapies, tissue and proteins. Unlike most prescription products made through chemical processes, biological products generally are made from human and/or animal materials. To be lawfully marketed in interstate commerce, a biologic product must be the subject of a BLA, issued by the FDA on the basis of a demonstration that the product is safe, pure and potent, and that the facility in which the product is manufactured meets standards to assure that it continues to be safe, pure and potent. The FDA has developed and is continuously updating the requirements with respect to cell and gene therapy products and has issued documents concerning the regulation of cellular and tissue-based products. Manufacturers of cell and tissue-based products must comply with the FDA's current good tissue practices, or cGTP, which are FDA regulations that govern the methods used in, and the facilities and controls used for, the manufacture of such products. The primary intent of the cGTP requirements is to ensure that cell and tissue based products are manufactured in a manner designed to prevent the introduction, transmission and spread of communicable disease.

The process of obtaining regulatory approvals and ensuring compliance with appropriate federal, state, local and foreign statutes and regulations requires the expenditure of substantial time and financial resources. Failure to comply with the applicable U.S. requirements at any time during the product development process, approval process, or after approval, may subject an applicant to administrative or judicial sanctions. These sanctions could include the FDA's refusal to approve pending applications, withdrawal of an approval, a clinical hold, warning letters, product recalls, product seizures, product detention, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties. The process required by the FDA before a biological product or drug may be marketed in the United States generally involves the following:

- Completion of preclinical laboratory tests, animal studies and formulation studies according to Good Laboratory Practices or other regulations;
- Submission to the FDA of an investigational new drug application, or IND, which must become effective before human clinical trials may begin;
- Performance of adequate and well-controlled clinical trials according to Good Clinical Practices, or GCP, to establish the safety and efficacy of the proposed biological product or drug for its intended use;
- submission to the FDA of a new drug application, or NDA, for a new drug; or a biologic license application for a new biological product;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the drug is produced to assess compliance with Good Manufacturing Practices, or cGMP, to assure that the facilities, methods and controls are adequate to preserve the drug's or biologic's identity, strength, quality and purity; and
- FDA review and approval of the BLA or NDA.

The testing and approval process require substantial time, effort and financial resources and we cannot be certain that any approvals for our product candidates will be granted on a timely basis, if at all.

Once a pharmaceutical product candidate is identified for development, it enters the preclinical testing phase. Preclinical tests include laboratory evaluations of product chemistry, toxicity, formulation and stability, as well as animal studies. An IND sponsor must submit the results of the preclinical tests, together with manufacturing information, analytical data and any available clinical data or literature, to the FDA as part of the IND. The sponsor must also include a protocol detailing, among other things, the objectives of the initial clinical trial, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated if the initial clinical trial lends itself to an efficacy evaluation. Some preclinical testing may continue even after the IND is submitted. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA places the clinical trial on a clinical hold within that 30-day time period. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. Clinical holds also may be imposed by the FDA at any time before or during trials due to safety concerns or non-compliance. Accordingly, we cannot assure you that submission of an IND will result in the FDA allowing clinical trials to begin or, once begun, issues will not arise that result in the suspension or termination of such trial.

All clinical trials must be conducted under the supervision of one or more qualified investigators in accordance with GCP regulations. These regulations include the requirement that all research subjects provide informed consent.

Further, an institutional review board, or IRB, must review and approve the plan for any clinical trial before it commences at any institution. An IRB considers, among other things, whether the risks to individuals participating in the trials are minimized and are reasonable in relation to anticipated benefits. The IRB also approves the information regarding the clinical trial and the consent form that must be provided to each clinical trial subject or his or her legal representative and must monitor the clinical trial until completed. Once an IND is in effect, each new clinical protocol and any amendments to the protocol must be submitted to the IND for FDA review, and to the IRBs for approval.

Human clinical trials are typically conducted in three sequential phases that may overlap or be combined:

- *Phase 1.* The product is initially introduced into healthy human subjects and tested for safety, dosage tolerance, absorption, metabolism, distribution and excretion. In the case of some products for severe or life-threatening diseases, especially when the product may be too inherently toxic to ethically administer to healthy volunteers, the initial human testing may be conducted in patients having the specific disease.

- *Phase 2.* Phase 2 trials involve investigations in a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases and to determine dosage tolerance and the optimal dosage and schedule.

- *Phase 3.* Clinical trials are undertaken to further evaluate dosage, clinical efficacy and safety in an expanded patient population at geographically dispersed clinical trial sites. These trials are intended to establish the overall risk/benefit ratio of the product and provide an adequate basis for regulatory approval and product labeling.

Post-approval studies, also called Phase 4 trials, may be conducted after initial marketing approvals. These studies are used to obtain additional experience from the treatment of patients in the intended therapeutic indication and may be required by the FDA as part of the approval process.

Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA and safety reports must be submitted to the FDA and the investigators for serious and unexpected side effects. Phase 1, Phase 2 and Phase 3 testing may not be completed successfully within any specified period, if at all. The FDA or the sponsor may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research subjects or patients are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the drug or biologic has been associated with unexpected serious harm to patients.

Concurrent with clinical trials, companies usually complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the product and finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, the manufacturer must develop methods for testing the identity, strength, quality and purity of the final product. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life.

During the development of a new drug or biologic, a sponsor may be able to request a Special Protocol Assessment, or SPA, the purpose of which is to reach agreement with the FDA on the Phase 3 clinical trial protocol design and analysis that will form the primary basis of an efficacy claim. An SPA is intended to provide assurance that if the agreed upon clinical trial protocol is followed, the clinical trial endpoints are achieved, and there is a favorable risk-benefit profile, the data may serve as the primary basis for an efficacy claim in support of a BLA or an NDA. However, an SPA is not a guarantee of an approval of a product candidate or any permissible claims about the product candidate. In particular, SPAs are not binding on the FDA if previously unrecognized public health concerns arise during the performance of the clinical trial, other new scientific concerns regarding product candidate's safety or efficacy arise, or if the sponsoring company fails to comply with the agreed upon clinical trial protocol.

The results of product development, preclinical studies and clinical trials, along with descriptions of the manufacturing process, analytical tests conducted on the biologic or drug, proposed labeling and other relevant information, are submitted to the FDA as part of an NDA or BLA, requesting approval to market the product. The submission of an NDA or BLA is subject to the payment of substantial user fees which may be waived under certain

limited circumstances.

FDA Review of Biologics License Applications and New Drug Applications

The FDA reviews all BLAs and NDAs submitted to ensure that they are sufficiently complete for substantive review before it accepts them for filing. The FDA may request additional information rather than accept a BLA or an NDA for filing. In this event, the BLA or NDA must be re-submitted with the additional information. The re-submitted application also is subject to review before the FDA accepts it for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review. Under the goals and policies agreed to by the FDA under the Prescription Drug User Fee Act, or PDUFA, the FDA has ten months in which to complete the initial review of a standard BLA or NDA and respond to the applicant and six months for a priority BLA or NDA. The FDA does not always meet its PDUFA goal dates for standard and priority BLAs or NDAs. The FDA reviews an NDA to determine, among other things, whether a product is safe and effective for its intended use and whether its manufacturing is cGMP-compliant to assure and preserve the product's identity, strength, quality and purity. The FDA reviews a BLA to determine, among other things, whether the product is safe, pure, and potent and the facility in which it is manufactured, processed, packaged or held meets standards designed to assure the products continued safety, purity and potency. Before approving an NDA or BLA, the FDA will inspect the facility or facilities where the product is manufactured. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements, and additionally, in the case of biologics in accordance with cGTP guidelines, and adequate to assure consistent production of the product within required specifications. The FDA may refer the NDA or BLA to an advisory committee for review, evaluation and recommendation as to whether the application should be approved and under what conditions. An advisory committee is a panel of independent experts who provide advice and recommendations when requested by the FDA on matters of importance that come before the agency. The FDA is not bound by the recommendation of an advisory committee.

The approval process is lengthy and difficult and the FDA may refuse to approve a BLA an NDA if the applicable regulatory criteria are not satisfied or may require additional clinical data or other data and information.

Even if such data and information is submitted, the FDA may ultimately decide that the BLA or NDA does not satisfy the criteria for approval. Data obtained from clinical trials are not always conclusive and the FDA may interpret data differently than we interpret the same data. The FDA will issue a complete response letter if the agency decides not to approve the BLA or NDA in its present form. The complete response letter usually describes all of the specific deficiencies that the FDA identified in the BLA or NDA. The deficiencies identified may be minor, for example, requiring labeling changes, or major, for example, requiring additional clinical trials. Additionally, the complete response letter may include recommended actions that the applicant might take to conform the application to a condition suitable for approval. If a complete response letter is issued, the applicant may either resubmit the BLA or NDA, addressing all of the deficiencies identified in the letter, withdraw the application, or request an opportunity for a hearing.

If a product receives regulatory approval, the approval may be significantly limited to specific diseases and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. Further, the FDA may require that certain contraindications, warnings or precautions be included in the product labeling. In

addition, the FDA may require Phase 4 testing which involves clinical trials designed to further assess a drug's or biologic's safety and effectiveness after BLA or NDA approval and may require testing and surveillance programs to monitor the safety of approved products that have been commercialized.

Orphan Drug Designation

Under the Orphan Drug Act, the FDA may grant orphan designation to a drug or biological product intended to treat a rare disease or condition, which is generally a disease or condition that affects fewer than 200,000 individuals in the United States, or more than 200,000 individuals in the United States and for which there is no reasonable expectation that the cost of developing and making a drug or biological product available in the United States for this type of disease or condition will be recovered from sales of the product. Orphan product designation must be requested before submitting an NDA or BLA. After the FDA grants orphan product designation, the identity of the therapeutic agent and its potential orphan use are disclosed publicly by the FDA. Orphan product designation does not convey any advantage in or shorten the duration of the regulatory review and approval process. In addition to the potential for a period of exclusivity, we may be eligible for grant funding of up to $400,000 per year for four years to defray costs of clinical trial expenses, tax credits for clinical research expenses and potential exemption from the FDA application user fee.

If a product that has orphan designation subsequently receives the first FDA approval for the disease or condition for which it has such designation, the product is entitled to orphan product exclusivity, which means that the FDA may not approve any other applications to market the same drug or biological product for the same indication for seven years, except in limited circumstances, such as (i) the drug's orphan designation is revoked; (ii) its marketing approval is withdrawn; (iii) the orphan exclusivity holder consents to the approval of another applicant's product; (iv) the orphan exclusivity holder is unable to assure the availability of a sufficient quantity of drug; or (v) a showing of clinical superiority to the product with orphan exclusivity by a competitor product. Competitors, however, may receive approval of different products for the indication for which the orphan product has exclusivity or obtain approval for the same product but for a different indication for which the orphan product has exclusivity. Orphan product exclusivity also could block the approval of one of our products for seven years if a competitor obtains approval of the same drug or biological product as defined by the FDA or if our drug or biological candidate is determined to be contained within the competitor's product for the same indication or disease. If a drug or biological product designated as an orphan product receives marketing approval for an indication broader than what is designated, it may not be entitled to orphan product exclusivity. Orphan drug status in the European Union has similar but not identical benefits in the European Union.

In February 2011, we received Orphan Drug Designation for NurOwn for the treatment of ALS in the United States. In July 2013, we received Orphan Medicinal Product Designation for NurOwn for the treatment of ALS from the European Commission.

Patent Term Restoration and Marketing Exclusivity

Depending upon the timing, duration and specifics of FDA marketing approval of our product candidates, some of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, commonly referred to as the Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent restoration term of up to five years as compensation for patent term lost during product development and the FDA regulatory review process. However, patent term restoration cannot extend the remaining term of a patent beyond a total of 14 years from the product's approval date. The patent term restoration period is generally one-half the time between (a) the effective date of an IND and the submission date of a BLA or an NDA plus (b) the time between the submission date of a BLA or an NDA and the approval of that application. Only one patent applicable to an approved drug or biologic is eligible for the extension and the application for the extension must be submitted prior to the expiration of the patent and within 60 days of approval of the drug or biologic. The U.S. patent and Trademark Office, in consultation with the FDA, reviews and approves the application for any patent term extension or restoration.

Biologics Price Competition and Innovation Act of 2009

The Biologics Price Competition and Innovation Act of 2009, or BPCIA, amended the PHSA to create a new licensure framework for biosimilar products, which could ultimately subject our biological product candidates to competition. Under the BPCIA, a manufacturer may submit an application for licensure of a biological product that is "biosimilar to" or "interchangeable with" a referenced, branded biologic product. Previously, there had been no licensure pathway for such biosimilar or interchangeable products. For purposes of the BPCIA, a reference product is defined as the single biological product licensed under a full BLA against which a biological product is evaluated in an application submitted under a follow-on BLA.

The BPCIA also created a 12-year period of reference product exclusivity, which can be extended to 12.5 years with pediatric exclusivity. The 12-year exclusivity period begins on the date of first licensure of the reference product under the PHSA and during which the licensure of a follow-on application for a biosimilar or interchangeable product cannot be made effective. During the first four years (or four and one-half years with pediatric exclusivity) of the 12-year period, an application for a biosimilar or interchangeable version of the reference product cannot be submitted to the FDA. Under budget proposals submitted by President Obama, the Administration has requested that reference product exclusivity would decrease from twelve to seven years. Congress has not yet enacted such a change in the BPCIA, but could move to enact such a decrease in the reference product exclusivity period.

The BPCIA includes limits on obtaining 12-year reference product exclusivity for certain changes or modifications to the reference product. A separate 12-year reference product exclusivity period does not apply to:

- a BLA supplement for the product that is the reference product;
- a subsequent BLA filed by the same reference product sponsor or manufacturer (or a licensor, predecessor in interest, or other related entity) for a change (not including a modification to the structure of the biological product) that results in a new indication, route of administration, dosing schedule, dosage form, delivery system, delivery device or strength; or
- a modification to the structure of the biological product that does not result in a change in safety, purity or potency.

In February 2012, the FDA issued three draft guidance documents on biosimilar product development. The FDA is soliciting comments on the draft guidance documents which are described by the FDA as follows: (1) Scientific Considerations in Demonstrating Biosimilarity to a Reference Product, which is intended to assist companies in demonstrating that a proposed therapeutic protein product is biosimilar to a reference product for the purpose of submitting an application, called a "351(k)" application, to the FDA. This draft guidance describes a risk-based "totality-of-the-evidence" approach that the FDA intends to use to evaluate the data and information submitted in support of a determination of biosimilarity of the proposed product to the reference product; (2) Quality Considerations in Demonstrating Biosimilarity to a Reference Protein Product, which provides an overview of analytical factors to consider when assessing biosimilarity between a proposed therapeutic protein product and a reference product for the purpose of submitting a 351(k) application; and (3) Biosimilars: Questions and Answers Regarding Implementation of the Biologics Price Competition and Innovation Act of 2009, which provides answers to common questions from people interested in developing biosimilar products. We cannot predict when or whether these draft guidance documents will ever be finalized or what changes the agency may make in its approach to implementation of the BPCIA.

In addition to creating a 12-year period of reference product exclusivity, the BPCIA clarifies the interaction of that exclusivity with orphan drug exclusivity, such that, if a reference product has been designated for a rare disease or condition the licensure of a biosimilar or interchangeable version of a reference product for such disease or condition may only occur after the later of the expiration of any applicable seven-year orphan drug exclusivity or the 12-year reference product exclusivity (or seven and one-half years and 12.5 years with pediatric exclusivity).

Our biological product candidates, if approved, could be considered reference products entitled to 12-year exclusivity. Even if our products are considered to be reference products eligible for exclusivity, another company could market a competing version of any of our biological products if the FDA approves a full BLA for such product containing the sponsor's own preclinical data and data from adequate and well-controlled clinical trials to demonstrate the safety, purity and potency of their product.

The BPCIA also sets forth a complex mechanism for resolving patent disputes that involves a step-wise exchange of information prior to the initiation of a patent infringement lawsuit against a biosimilar or interchangeable product sponsor. Unlike the Hatch-Waxman Act, the BPCIA provides no automatic stay on approval of a biosimilar product application, except an interchangeable product receives the lesser of one year of exclusivity after the date of first commercial marketing or 18 months of exclusivity after a final court decision or dismissal of a patent challenge or, if the applicant has not been sued, after approval. The BPCIA does not prevent a competitor from conducting its own clinical trials and submitting a full BLA on the same or similar product.

Post-Approval Requirements

Any drugs for which we receive FDA approval are subject to continuing regulation by the FDA, including, among other things, record-keeping requirements, reporting of adverse effects with the product, reporting of changes in distributed products which would require field alert reports (FARs) for drugs and biological product deviation reports (BPDRs), providing the FDA with updated safety and efficacy information, product sampling and distribution requirements, complying with certain electronic records and signature requirements and complying with FDA promotion and advertising requirements. In September 2007, the Food and Drug Administration Amendments Act of 2007 was enacted, giving the FDA enhanced post-marketing authority, including the authority to require postmarketing studies and clinical trials, labeling changes based on new safety information, and compliance with risk evaluations and mitigation strategies, or REMS, approved by the FDA. The FDA strictly regulates labeling, advertising, promotion and other types of information on products that are placed on the market. Drugs and biologics may be promoted only for the approved indications and in accordance with the provisions of the approved label. Further, manufacturers of drugs and biologics must continue to comply with cGMP requirements, which are extensive and require considerable time, resources and ongoing investment to ensure compliance. In addition, changes to the manufacturing process generally require prior FDA approval before being implemented and other types of changes to the approved product, such as adding new indications and additional labeling claims, are also subject to further FDA review and approval.

Drug and biologic manufacturers and other entities involved in the manufacturing and distribution of approved drugs and biologics are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with cGMP, GTP applicable to biologics, and other laws. The cGMP requirements apply to all stages of the manufacturing process, including the production, processing, sterilization, packaging, labeling, storage and shipment of the drug. Manufacturers must establish validated systems to ensure that products meet specifications and regulatory standards, and test each product batch or lot prior to its release.

The FDA may withdraw a product approval if compliance with regulatory standards is not maintained or if problems occur after the product reaches the market. Discovery of previously unknown problems with a product subsequent to its approval may result in restrictions on the product or even complete withdrawal of the product from the market. Further, the failure to maintain compliance with regulatory requirements may result in administrative or judicial actions, such as fines, warning letters, holds on clinical trials, product recalls or seizures, product detention or refusal to permit the import or export of products, refusal to approve pending applications or supplements, restrictions on marketing or manufacturing, injunctions or civil or criminal penalties.

From time to time, legislation is drafted, introduced and passed in Congress that could significantly change the statutory provisions governing the approval, manufacturing and marketing of products regulated by the FDA. In addition to new legislation, the FDA regulations and policies are often revised or reinterpreted by the agency in ways that may significantly affect our business and our product candidates. It is impossible to predict whether further legislative or FDA regulation or policy changes will be enacted or implemented and what the impact of such changes, if any, may be.

Foreign Regulation

In addition to regulations in the United States, we will be subject to a variety of foreign regulations governing clinical trials and commercial sales and distribution of our product candidates to the extent we choose to clinically evaluate or sell any products outside of the United States. Whether or not we obtain FDA approval for a product, we must obtain approval of a product by the comparable regulatory authorities of foreign countries before we can commence clinical trials or marketing of the product in those countries. The approval process varies from country to country and the time may be longer or shorter than that required for FDA approval. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from country to country. As in the United States, post-approval regulatory requirements, such as those regarding product manufacture, marketing, or distribution would apply to any product that is approved outside the United States.

Third Party Payor Coverage and Reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of any of our biologic or drug candidates for which we obtain regulatory approval. In both the United States and foreign markets, our ability to commercialize our product candidates successfully, and to attract commercialization partners for our product candidates, depends in significant part on the availability of adequate financial coverage and reimbursement from third party payors, including, in the United States, governmental payors such as the Medicare and Medicaid programs, managed care organizations, and private health insurers. Medicare is a federally funded program managed by the Centers for Medicare and Medicaid Services, or CMS, through local fiscal intermediaries and carriers that administer coverage and reimbursement for certain healthcare items and services furnished to the elderly and disabled. Medicaid is an insurance program for certain categories of patients whose income and assets fall below state defined levels and who

are otherwise uninsured that is both federally and state funded and managed by each state. The federal government sets general guidelines for Medicaid and each state creates specific regulations that govern its individual program. Each payor has its own process and standards for determining whether it will cover and reimburse a procedure or particular product. Private payors often rely on the lead of the governmental payors in rendering coverage and reimbursement determinations. Therefore, achieving favorable CMS coverage and reimbursement is usually a significant gating issue for successful introduction of a new product. The competitive position of some of our products will depend, in part, upon the extent of coverage and adequate reimbursement for such products and for the procedures in which such products are used. Prices at which we or our customers seek reimbursement for our product candidates can be subject to challenge, reduction or denial by the government and other payors.

The U.S. Congress and state legislatures may, from time to time, propose and adopt initiatives aimed at cost containment, which could impact our ability to sell our product candidates profitably. For example, in March 2010, President Obama signed into law the Patient Protection and Affordable Care Act and the associated reconciliation bill, which we refer to collectively as the Health Care Reform Law, a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for healthcare and health insurance industries, impose new taxes and fees on the health industry and impose additional health policy reforms. Effective October 1, 2010, the Health Care Reform Law revises the definition of "average manufacturer price" for reporting purposes, which could increase the amount of Medicaid drug rebates to states once the provision is effective. Further, the law imposes a significant annual fee on companies that manufacture or import branded prescription drug products. Substantial new provisions affecting compliance have also been enacted, which may require us to modify our business practices with healthcare practitioners. We will not know the full effects of the Health Care Reform Law until applicable federal and state agencies issue regulations or guidance under the new law.

Although it is too early to determine the effect of the Health Care Reform Law, the new law appears likely to continue the pressure on pharmaceutical pricing, especially under the Medicare program, and may also increase our regulatory burdens and operating costs. Moreover, in the coming years, additional changes could be made to governmental healthcare programs that could significantly impact the success of our product candidates.

The cost of pharmaceuticals continues to generate substantial governmental and third party payor interest. We expect that the pharmaceutical industry will experience pricing pressures due to the trend toward managed healthcare, the increasing influence of managed care organizations and additional legislative proposals. Our results of operations could be adversely affected by current and future healthcare reforms.

Some third party payors also require pre-approval of coverage for new or innovative devices, biologics or drug therapies before they will reimburse healthcare providers that use such therapies. While we cannot predict whether any proposed cost-containment measures will be adopted or otherwise implemented in the future, the announcement or adoption of these proposals could have a material adverse effect on our ability to obtain adequate prices for our product candidates and operate profitably.

Different pricing and reimbursement schemes exist in other countries. In the European Community, governments influence the price of pharmaceutical products through their pricing and reimbursement rules and control of national health care systems that fund a large part of the cost of those products to consumers. Some jurisdictions operate positive and negative list systems under which products may only be marketed once a reimbursement price has been agreed. To obtain reimbursement or pricing approval, some of these countries may require the completion of clinical trials that compare the cost-effectiveness of a particular drug or biological candidate to currently available therapies. Other member states allow companies to fix their own prices for medicines, but monitor and control company profits. The downward pressure on health care costs in general, particularly prescription drugs and biologics, has become very intense. As a result, increasingly high barriers are being erected to the entry of new products. In addition, in some countries, cross-border imports from low-priced markets exert a commercial pressure on pricing within a country.

Other Healthcare Laws and Compliance Requirements

In the United States, our activities are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, including the Centers for Medicare and Medicaid Services, other divisions of the United States Department of Health and Human Services (e.g., the Office of Inspector General), the United States Department of Justice and individual United States Attorney offices within the Department of Justice, and state and local governments. These regulations include:

- the federal healthcare program anti-kickback law, which prohibits, among other things, persons from soliciting, receiving or providing remuneration, directly or indirectly, to induce either the referral of an individual, for an item or service or the purchasing or ordering of a good or service, for which payment may be made under federal healthcare programs such as the Medicare and Medicaid programs;

- federal false claims laws which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other government reimbursement programs that are false or fraudulent;

- the federal Health Insurance Portability and Accountability Act of 1996, which prohibits executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters and which also imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information;

- the federal transparency requirements under the Health Care Reform Law requires manufacturers of drugs, devices, biologics, and medical supplies to report to the Department of Health and Human Services information related to physician payments and other transfers of value and physician ownership and investment interests;

- the FDCA, which among other things, strictly regulates drug and biologic product marketing, prohibits manufacturers from marketing drug or biologic products for off-label use and regulates the distribution of drug samples; and

- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third party payor, including commercial insurers, and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by federal laws, thus complicating compliance efforts.

Compliance with Environmental, Health and Safety Laws

In addition to FDA regulations, we are also subject to evolving federal, state and local environmental, health and safety laws and regulations. In the past, compliance with environmental, health and safety laws and regulations has not had a material effect on our capital expenditures. We believe that we comply in all material respects with existing environmental, health and safety laws and regulations applicable to us. Compliance with environmental, health and safety laws and regulations in the future may require additional capital expenditures.

Competition

There are a number of clinical trials underway for potential treatments for ALS, of which only two are stem cell-based trials being conducted by other commercial entities. One is US-based Neuralstem (CUR), which is currently conducting a Phase II trial for its allogeneic, human (fetal) spinal cord derived neural stem cells. The other is Corestem, a Korean company, which is currently conducting two Phase I stem cell-based clinical trials. One is a recently launched Phase I trial with allogeneic bone marrow derived mesenchymal stem cells, and a previous trial, which is not actively recruiting, is with autologous, bone marrow-derived mesenchymal stem cells. There is little public information available about Corestem. Five non-stem cell-based companies are undergoing Phase I/II, Phase II or Phase III clinical trials for ALS. A number of academic institutions are also developing treatment candidates for ALS.

Employees

We currently have 16 employees, 14 of whom are full-time. None of our employees is represented by a labor union.

PROPERTIES

Our executive offices are located in premises at 605 Third Avenue, 34th Floor, New York, NY 10158, which we use, free of charge, pursuant to an oral agreement with Malcolm Taub, a member of our Board of Directors.

On December 1, 2004, our Israeli Subsidiary entered into a lease agreement (the Lease Agreement) for the lease of premises in 12 Basel Street, Petach Tikva, Israel, which include approximately 600 square meters of office and laboratory space. The original term of the lease was 36 months (the Lease Term), commencing on April 1, 2005, with two options to extend: one for an additional 24 months (the First Option); and one for an additional 36 months (the Second Option).

On November 11, 2012, the Israeli Subsidiary entered into an amendment to the Lease Agreement, pursuant to which the Lease Term (including the First Option and the Second Option) was extended by an additional five years, through March 31, 2018. After three years, we will have the right to cancel the agreement with 6 months' notice. Rent is paid on a monthly basis in the amount of NIS 40,000 (approximately U.S. $11,000).

We expanded our Petach Tikva facility in 2008 to include an animal research facility.

As part of the clinical trials with Hadassah, we pay $31,250 per month for rental and operation of a clean room at the Hadassah medical center GMP facilities in Jerusalem.

We believe that the current office and laboratory space is adequate to meet our needs or will be available in the U.S. to meet the needs of U.S. clinical trials.

LEGAL PROCEEDINGS

From time to time, we may become involved in litigation relating to claims arising out of operations in the normal course of business, which we consider routine and incidental to our business. We currently are not a party to any legal proceedings the adverse outcome of which, in management's opinion, would have a material adverse effect on our business, results of operation or financial condition.

MARKET FOR OUR COMMON EQUITY

Market Information

Our Common Stock is traded on the OTCQB Marketplace under the symbol "BCLI." The following table contains information about the range of high and low sales prices for our Common Stock based upon reports of transactions on the OTCQB Marketplace.

Quarter Ended	High	Low
June 30, 2014	$0.38	$0.23
March 31, 2014	$0.37	$0.17
December 31, 2013	$0.23	$0.10
September 30, 2013	$0.26	$0.15
June 30, 2013	$0.25	$0.19
March 31, 2013	$0.27	$0.22
December 31, 2012	$0.27	$0.17
September 30, 2012	$0.38	$0.21
June 30, 2012	$0.30	$0.21
March 31, 2012	$0.34	$0.20

The source of these high and low prices was the OTCQB Marketplace. The high and low prices listed have been rounded up to the next highest two decimal places.

On July 9, 2014, the closing bid price of our Common Stock as reported by the OTCQB Marketplace was $0.38 per share.

Trades in our Common Stock may be subject to Rule 15g-9 of the Exchange Act, which imposes requirements on broker/dealers who sell securities subject to the rule to persons other than established customers and accredited investors. For transactions covered by the rule, broker/dealers must make a special suitability determination for purchasers of the securities and receive the purchaser's written agreement to the transaction before the sale.

The Securities and Exchange Commission also has rules that regulate broker/dealer practices in connection with transactions in "penny stocks." Penny stocks generally are equity securities with a price of less than $5.00 (other than securities listed on certain national exchanges, provided that the current price and volume information with respect to

transactions in that security is provided by the applicable exchange or system). The penny stock rules require a broker/dealer, before effecting a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document prepared by the Securities and Exchange Commission that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker/dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker/dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker/dealer and salesperson compensation information, must be given to the customer orally or in writing before effecting the transaction, and must be given to the customer in writing before or with the customer's confirmation. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for shares of Common Stock of the Company. As a result of these rules, investors may find it difficult to sell their shares.

Dividends

We have not paid or declared any cash or other dividends on our Common Stock within the last two fiscal years. Any future determination as to the payment of dividends will depend upon our results of operations, and on our capital requirements, financial condition and other factors relevant at the time. See "Dividend Policy."

Record Holders

As of June 20, 2014, there were approximately 64 holders of record of our Common Stock.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Company Overview

We are a biotechnology company developing novel adult stem cell therapies for debilitating neurodegenerative disorders such as ALS, MS, and PD. These diseases have limited treatment options and as such represent unmet medical needs.

We believe that NurOwn, our proprietary process for the propagation of MSC and their differentiation into NTF secreting cells (MSC-NTF), and their transplantation at, or near, the site of damage, offers the hope of more effectively treating neurodegenerative diseases.

Our approach is considered safe based on our use of autologous cells, which are free of the risk of rejection and tumor formation. It is also free of the controversy associated with the use of embryonic stem cells in some countries.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported revenue and expenses during the reporting periods. We continually evaluate our judgments, estimates and assumptions. We base our estimates on the terms of underlying agreements, our expected course of development, historical experience and other factors we believe are reasonable based on the circumstances, the results of which form our management's basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. There were no significant changes to our critical accounting policies during the quarter ended March 31, 2014. For a discussion of our significant accounting policies, please see Note 2 to our financial statements included in this prospectus, starting on page F-19.

Results of Operations

The Company has been a development stage company since its inception. For the period from inception (September 22, 2000) until March 31, 2014, the Company has not earned any revenues from operations. The Company does not expect to earn revenues from operations until 2017. In addition, the Company has incurred operating costs and other expenses of approximately $1,031,000 during the three months ended March 31, 2014, and approximately $50,989,000 for the period from inception (September 22, 2000) until March 31, 2014. Operating expenses incurred since inception were approximately $21,203,000 for general and administrative expenses and $29,786,000 for research and development costs.

Year ended December 31, 2013 vs. year ended December 31, 2012

Research and Development, net

Our business model calls for significant investments in research and development. Our research and development expenditures (i) in 2013 (before participation by the OCS) were $4,030,000, which included $51,000 in stock-based compensation and (ii) in 2012 (before participation by the OCS) were $2,688,000, which included $74,000 in stock-based compensation. Research and development expenses, net for the year ended December 31, 2013 and 2012 were $2,917,000 and $1,770,000, respectively. In addition, our grant from The Office of the Chief Scientist increased by $195,000 to $1,113,000 for the year ended December 31, 2013 from $918,000 for the year ended December 31, 2012.

The increase in research and development expenses is primarily due to (i) an increase of $966,000 for the year ended December 31, 2013, compared to zero for the year ended December 31, 2012 for costs of activities related to commencement of the US Clinical Trial including IND submission fees to PRC Clinical and FDA Consultant, purchase and validation of cleanroom equipment at DFCI and Mayo Clinic, adaptation of cleanroom facility at DFCI, and on-site technology transfer training to DFCI cleanroom personnel; (ii) an increase of $153,000 in costs associated with the clinical trials, conducted in accordance with GMP in Hadassah, for an aggregate amount of $1,432,000 for the year ended December 31, 2013, compared to $1,279,000 for the year ended December 31, 2012; (iii) an increase of $296,000 in payroll costs due to recruitment of two additional employees to conduct the clinical trials; and (iv) an increase of $111,000 for patents, travel and rent costs. This increase was offset by: (i) a decrease in stock-based compensation expenses, of $23,000 in the year ended December 31, 2013 to $51,000, compared to $74,000 for the year ended December 31, 2012; and (ii) a decrease of $161,000 for consultants and depreciation from $406,000 in the year ended December 31, 2012 to $245,000 in the year ended December 31, 2013.

General and Administrative

General and administrative expenses for the years ended December 31, 2013 and 2012 were $2,101,000 and $1,748,000, respectively. The increase in General and administrative expenses for the year ended December 31, 2013, is mainly due to: (i) an increase of $222,000 in stock-based compensation expenses, from $545,000 in the year ended December 31, 2012 to $767,000 in the year ended December 31, 2013;(ii) an increase of $140,000 in payroll costs due to recruitment of CEO during 2013; (iii) an increase of $107,000 for travel, rent and stock costs from $190,000 in the year ended December 31, 2012 to $297,000 in the year ended December 31, 2013. This increase was partially offset by a decrease of $116,000 in consultants, depreciation and PR costs from $573,000 in the year ended December 31, 2012 to $457,000 in the year ended December 31, 2013.

Financial Expenses

Financial income for the year ended December 31, 2013 was $144,000 compared to income of $93,000 for the year ended December 31, 2012.

The financial income for year ended December 31, 2013 is mainly due to income from revaluation of warrants of $174,000 and income from interest receivable from a bank deposit that were offset by conversion exchange rates and bank charges. The financial income for the year ended December 31, 2012, is primarily due to a one-time $192,000 financial income, from conversion of debt to a subcontractor to our Common Stock. The issuance of stock to the subcontractor was in an amount that was lower than the amount owed to the supplier. The value of the amount issued was based on the per share price on the date of the grant. In addition, the financial income is due to (i) an increase in financial income of $33,000 from conversion exchange; and (ii) an interest receivable from a bank deposit in the amount of $19,000.

Net Loss

Net loss for the year ended December 31, 2013 was $4,899,000, as compared to a net loss of $3,430,000 for the year ended December 31, 2012. Net loss per share for the year ended December 31, 2013 was $0.03, compared to net loss per share of $0.02 for the year ended December 31, 2012.

The increase in the net loss for the year ended December 31, 2013 is due to (i) an increase the progress of clinical trials conducted in GMP facilities in Hadassah and US Clinical Trial, and (ii) an increase in payroll costs, and (iii) an increase in stock-based compensation expenses. This increase was partially offset by an increase in OCS grants.

The weighted average number of shares of Common Stock used in computing basic and diluted net loss per share for the year ended December 31, 2013 was 161,071,968, compared to 137,596,391for the year ended December 31, 2012.

The increase in the weighted average number of shares of Common Stock used in computing basic for the year ended December 31, 2013 was due to: (i) the issuance of shares of Common Stock in the 2013 Public Offering, as described in more detail below and in the 2012 Public Offering, (ii) the exercise of options and warrants, and (iii) the issuance of shares to service providers.

Quarter ended March 31, 2014 vs. quarter ended March 31, 2013

Research and Development, net:

Research and development expenses, net for the three months ended March 31, 2014 and 2013 were $680,000 and $522,000, respectively. In addition, the Company's grant from The Office of the Chief Scientist increased by $6,000 to $286,000 for the three months ended March 31, 2014 from $280,000 for the three months ended March 31, 2013.

The increase in research and development expenses for the three months ended March 31, 2014 is primarily due to an increase of $328,000, associated with the clinical trials in the US, for the three months ended March 31, 2014, compared to zero for the three months ended March 31, 2013. This increase was partially offset by a decrease of $173,000 for the clinical trials in Israel.

General and Administrative:

General and administrative expenses for the three months ended March 31, 2014 and 2013 were $351,000 and $559,000, respectively. The decrease in general and administrative expenses for the three month period ended March 31, 2014 from the three month period ended March 31, 2013 is primarily due to: (i) a decrease of $122,000 in stock-based compensation expenses, from $226,000 in the three months ended March 31, 2013 to $104,000 in the three months ended March 31, 2014; (ii) a decrease of $38,000 in payroll costs from $130,000 in the three months ended March 31, 2013 to $92,000 in the three months ended March 31, 2014, and (iii) a decrease of $68,000 for IR and PR costs, travel and other costs, from $97,000 in the three months ended March 31, 2013 to $29,000 in the three months ended March 31, 2014. This decrease was partially offset by an increase of $20,000 for rent and consulting fees.

Financial Expenses:

Financial expense for the three months ended March 31, 2014 was $1,080,000, compared to a financial expense of $1,000 for the three months ended March 31, 2013.

The financial expense for the three months ended March 31, 2014 is mainly due to a financial expense of $1,071,000 that is due to revaluation of warrants issued to investors in the 2013 Public Offering (the 2013 Warrants). The 2013

Warrants contain anti-dilution provisions. Under generally accepted accounting principles, the anti-dilution provisions require the 2013 Warrants to be valued and classified as a warrant liability on the balance sheet, resulting in a reduction of stockholders' equity. This warrant liability will be revaluated every quarterly report. On April 25, 2014, the Company exchanged part of the 2013 Warrants, entitling the holders to purchase 11,662,059 shares of Common Stock, $0.00005 par value for 5,831,031 unregistered shares of Common Stock. The exchange was done to facilitate the Company's plans to uplist its stock to a national securities exchange such as NASDAQ. No such revaluation expense was recorded in the three months ended March 31, 2013. On March 24, 2014, ACCBT Corp. and ACC International Holdings Ltd. agreed to irrevocably waive all anti-dilution rights contained in all issued and outstanding warrants to purchase Company Common Stock held by ACCBT Corp. or ACC International Holdings Ltd.

The financial expense for the three months ended March 31, 2014 in the amount of $9,000 is due to conversion exchange rates and bank charges that were offset by an interest receivable from a bank deposit, compared to $1,000 for the three months ended March 31, 2013.

Net Loss:

Net loss for the three months ended on March 31, 2014 was $2,111,000, as compared to a net loss of $1,082,000 for the three months ended March 31, 2013. Net loss per share for the three months ended March 31, 2014 and 2013 was $0.01.

The weighted average number of shares of Common Stock used in computing basic and diluted net loss per share for the three months ended March 31, 2014 was 176,305,587, compared to 150,953,117 for the three months ended March 31, 2013.

The increase in the weighted average number of shares of Common Stock used in computing basic and diluted net loss per share for the three months ended March 31, 2014 was due to (i) the issuance of shares of Common Stock in the 2013 Public Offering, as described in more detail below, (ii) the exercise of options, and (iii) the issuance of shares to service providers and private investors.

Liquidity and Capital Resources

The Company has financed its operations since inception primarily through public and private sales of its Common Stock and warrants and the issuance of convertible promissory notes. At March 31, 2014, the Company had $3,853,000 in total current assets and $1,607,000 in total current liabilities.

Net cash used in operating activities was $391,000 for the three months ended March 31, 2014. Cash used for operating activities was primarily attributed to cost of clinical trials, rent of clean rooms and materials for clinical trials, payroll costs, rent, outside legal fee expenses and public relations expenses.

Net cash used in investing activities was $85,000 for the three months ended March 31, 2014.

There is no Net cash provided by financing activities for the three months ended March 31, 2014.

On August 16, 2013, the Company raised approximately $4.0 million through a public offering (the 2013 Public Offering) of its Common Stock. The Company issued a total of 23,529,411 units at a public offering price of $0.17 per unit, with each unit consisting of one share of Common Stock, and 0.75 of a warrant to purchase one share of our Common Stock at an exercise price of $0.25 per whole share of Common Stock. The warrants are exercisable until the three year anniversary of the date of issuance. After deducting closing costs and fees, the Company received net proceeds of approximately $3.3 million.

The Company’s other material cash needs for the next 12 months will include payments of (i) costs of the clinical trials in the US and Israel; (ii) employee salaries; (iii) patents; (iv) construction fees for facilities to be used in the

Company’s research and development and (v) fees to Company consultants and legal advisors.

Company's operations are very capital intensive and will require substantial capital raisings. If the Company is not able to raise substantial additional capital, it may not be able to continue to function as a going concern and may have to cease operations. Even if the Company obtains funding sufficient to fund its operations in the short term, it would still be required to raise a substantial amount of capital in the future in order to reach profitability and to complete the commercialization of the Company’s products. The Company’s ability to fund these future capital requirements will depend on many factors, including the following:

- our ability to obtain funding from third parties, including any future collaborative partners;
- the scope, rate of progress and cost of our clinical trials and other research and development programs;
- the time and costs required to gain regulatory approvals;
- the terms and timing of any collaborative, licensing and other arrangements that we may establish;
- the costs of filing, prosecuting, defending and enforcing patents, patent applications, patent claims, trademarks and other intellectual property rights;
- the effect of competition and market developments; and
- future pre-clinical and clinical trial results.

Off Balance Sheet Arrangements

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

Subsequent Events

Warrant Exchange

On April 25, 2014, the Company entered into agreements with holders of warrants originally issued in the Company's 2013 Public Offering (the 2013 Warrants) to exchange outstanding 2013 Warrants entitling the holder to purchase an aggregate of 11,662,059 shares of Common Stock for an aggregate of 5,831,031 unregistered shares of Common Stock. Each share of Common Stock issuable pursuant to the 2013 Warrants (the Warrant Shares) was exchanged for shares of unregistered Common Stock equal to one-half (0.5) of the number of Warrant Shares (the Exchange Shares), provided that in the event the number of Exchange Shares resulted in a fractional number it was rounded up to the nearest whole share. The 2013 Warrants were cancelled and of no further force and effect.

The offer and sale of the Exchange Shares were made in reliance upon the exemption from registration provided for by Rule 506 of Regulation D promulgated under the Securities Act. No form of general solicitation or general advertising was used by the Company, or any representative of the Company, in connection with the offer or sale of the Exchange Shares. No underwriters were involved with the issuance of the Exchange Shares and no commissions were paid in connection with the exchange. Each of the investors represented to the Company that they are an accredited investor. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall the Exchange Shares be offered or sold absent registration or an applicable exemption from the registration requirements under the Securities Act and any applicable state securities laws.

The Company believes that the exchange will help facilitate the Company's plans to uplist its stock to a national securities exchange such as NASDAQ. The 2013 Warrants contain anti-dilution provisions. Under generally accepted accounting principles, the anti-dilution provisions require the 2013 Warrants to be valued and classified as a warrant liability on the balance sheet, resulting in a reduction of stockholders' equity. NASDAQ requires as part of its initial listing standards that the Company have a minimum of $5 million of stockholders' equity, which the exchange is anticipated to help facilitate.

Warrant Redemption

On May 27, 2014 (the Effective Date), the Company entered into agreements with certain holders of 2013 Warrants to repurchase outstanding 2013 Warrants entitling the holders to purchase an aggregate of approximately five (5) million shares of Common Stock for an aggregate of approximately $600,000 (the Redemption). On the Effective Date, each share of Common Stock issuable pursuant to the 2013 Warrants was repurchased for $0.12 cash payment by the Company per Warrant share. As of the Effective Date, all 2013 Warrants participating in the Redemption were cancelled and of no further force and effect. In connection with the Redemption, certain holders of 2013 Warrants which did not participate in the Redemption and whose 2013 Warrants will therefore remain outstanding after the Effective Date, have waived anti-dilution provisions of their 2013 Warrants (the Waiver). Following the Redemption and the Waiver, there remain outstanding 2013 Warrants exercisable for an aggregate of 435,000 shares of Common Stock which continue to have anti-dilution provisions.

The Company believes that the Redemption and the Waiver will help facilitate the Company’s plans to uplist its stock to a national securities exchange such as NASDAQ. The 2013 Warrants contained anti-dilution provisions. Under generally accepted accounting principles, the anti-dilution provisions required the 2013 Warrants to be valued and classified as a warrant liability on the balance sheet, resulting in a reduction of stockholders’ equity. NASDAQ requires as part of its initial listing standards that the Company have a minimum of $5 million of stockholders’ equity, which the Redemption and Waiver is anticipated to help facilitate.

Warrant Amendment Agreement with ACCBT

On May 25, 2014, the Company entered into a Warrant Amendment Agreement (the Amendment) with ACCBT Corp. and ACC International Holdings Ltd. (together, ACCBT), pursuant to which the expiration date of each Warrant held by ACCBT was extended until November 5, 2017, in consideration of ACCBT having provided a series of waivers of their rights, including anti-dilution rights. ACCBT and the Company are party to a Subscription Agreement, dated as of July 2, 2007, a related Registration Rights Agreement and warrants to purchase up to an aggregate of 30,250,000 shares of Common Stock, and related documents (all of the foregoing documents together as amended to date, the ACCBT Documents). Pursuant to the Amendment, the ACCBT Documents were amended to reflect the extension of the warrants' expiration date.

Chairman of the Board

On April 22, 2014, Prof. Abraham Israeli, a director and Chairman of the Board of Directors of the Company and a consultant to the Company, informed the Company of his resignation from the Company effective April 25, 2014. Prof. Israeli had served the Company since April 13, 2010.

Effective upon Prof. Israeli's resignation, Dr. Irit Arbel, a co-founder and member of the Board of Directors of the Company, succeeded Prof. Israeli as Chairman of the Board of Directors of the Company.

Hadasit Agreement

On April 25, 2014, the Agreement by and among the Company, Prof. Abraham Israeli and Hadasit Medical Research Services and Development Ltd. (Hadasit), dated April 13, 2010 and amended December 31, 2011 (as amended, the Hadasit Agreement) was terminated pursuant to notice given by Hadasit and Prof. Israeli, in connection with Prof. Israeli's resignation from the Company. The Hadasit Agreement provided terms for Prof. Israeli's service as the Company's Clinical Trials Advisor and a member of the Company's Board of Directors, both of which ceased on April 25, 2014. As a result of the termination of the Hadasit Agreement Prof. Israeli and Hadasit will no longer receive annual grants to purchase shares of Common Stock, and any outstanding and unvested grants made pursuant to the Hadasit Agreement will cease to vest, and the grants shall be valid until and may be exercised only on or before October 25, 2014.

Commencement of Phase II Clinical Trial

On April 8, 2014, the Company announced that the FDA has approved commencement of its Phase II clinical trial with NurOwn in patients with ALS. On June 6, 2014, the Company issued a press release announcing that its Phase II ALS clinical trial has now commenced with the enrollment of the first patient at MGH in Boston, Massachusetts. The Company's Phase II trial is a randomized, double-blind, placebo controlled multi-center study designed to evaluate the safety and efficacy of transplantation of Autologous Mesenchymal Stem Cells Secreting Neurotrophic Factors (MSC-NTF or NurOwn) in 48 ALS patients. The trial is also being conducted at the UMass Memorial Hospital in Worcester, Massachusetts and the Mayo Clinic in Rochester, Minnesota.

Uri Yablonka, Chief Operating Officer and Director

On June 6, 2014, the Company appointed Uri Yablonka as its Chief Operating Officer and director, effective June 6, 2014. On June 6, 2014, the Israeli Subsidiary and Uri Yablonka entered into an employment agreement which sets forth the terms of Mr. Yablonka's employment (the Employment Agreement). Pursuant to the Employment Agreement, Uri Yablonka will be paid a monthly salary of NIS31,900 (approximately $9,200 based on current currency exchange rates). Mr. Yablonka will also receive other benefits that are generally made available to the Company's employees, including pension and education fund benefits. The Company will provide Mr. Yablonka with a Company car and cellular phone, and a gross-up payment for any taxes relating thereto. Mr. Yablonka also was granted a stock option (the Initial Grant) on June 6, 2014 (the Grant Date) under the Company's Amended and Restated 2004 Global Share Option Plan (the Global Plan) for the purchase of 500,000 shares of the Company's Common Stock, which was fully vested and exercisable upon grant. The exercise price for the Initial Grant is $0.18 per share.

In addition, the Company agreed to grant Mr. Yablonka a stock option under the Global Plan (or the applicable successor option plan) for the purchase of up to 200,000 shares of Common Stock (subject to appropriate adjustment in the case of stock splits, reverse stock splits and the like) of the Company (the Additional Options and each an Additional Option) on the first business day after each annual meeting of stockholders (or special meeting in lieu thereof) of the Company beginning with the 2014 annual meeting, and provided that Mr. Yablonka remains an employee of the Company on each such date. The exercise price per share of the Common Stock subject to each Additional Option shall be equal to $0.05 (subject to appropriate adjustment in the case of stock splits, reverse stock splits and the like, or changes to the Israeli Annual Option Award under the Company's Director Compensation Plan as amended from time to time). Each Additional Option will vest and become exercisable on each monthly anniversary date as to 1/12th the number of shares subject to the option over a period of twelve months from the date of grant such that each Additional Option will be fully vested and exercisable on the first anniversary of the date of grant, provided that Mr. Yablonka remains an employee of the Company on each such vesting date.

Tony Fiorino, Chief Executive Officer

On June 9, 2014, the Company appointed Tony Fiorino, M.D., Ph.D. as its Chief Executive Officer, effective June 9, 2014. On June 9, 2014, the Company and Dr. Fiorino entered into an employment agreement which sets forth the terms of Dr. Fiorino's employment (the Agreement). Pursuant to the Agreement, Dr. Fiorino will be paid an annual salary of $275,000, to be increased annually by no less than $7,500 per year. Dr. Fiorino will also receive other benefits that are generally made available to the Company's employees. Dr. Fiorino also was granted a stock option (the Fiorino Grant) on June 9, 2014 (the Grant Date) for the purchase of 5,700,000 shares of the Company's Common Stock (the Shares), which shall vest and become exercisable as to 25% of the Shares on the first anniversary of the Grant Date (the Initial Vesting Date) and the remainder of the Shares shall vest and become exercisable in equal monthly installments on each of the 36 monthly anniversaries following the Initial Vesting Date. The exercise price for the Fiorino Grant is $0.30 per share.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

We have not had any changes in or disagreements with accountants on accounting and financial disclosure during our two most recent fiscal years and the subsequent interim periods.

MANAGEMENT

Executive Officers and Directors

The following table lists our current executive officers and directors. Our executive officers are elected annually by our Board of Directors and serve at the discretion of the Board of Directors. Each current director is serving a term that will expire at our Company's next annual meeting. There are no family relationships among any of our directors or executive officers.

Name	Age	Position
Anthony Fiorino	46	Chief Executive Officer
Chaim Lebovits	43	President
Liat Sossover	46	Chief Financial Officer
Uri Yablonka	37	Chief Operating Officer and Director
Dr. Irit Arbel	54	Chairperson and Director
Mordechai Friedman	61	Director
Alon Pinkas	52	Director
Chen Schor	41	Director
Dr. Robert Shorr	60	Director
Malcolm Taub	68	Director

Dr. Tony Fiorino joined the Company on June 9, 2014 as Chief Executive Officer. Dr. Fiorino is an experienced biotechnology executive, entrepreneur and investor with expertise in clinical drug development, biotechnology finance and portfolio management. Dr. Fiorino joined BrainStorm from Greywall Asset Management, where he was a Managing Director and served as a biopharmaceuticals analyst from January 2013, when the fund launched, through May 2014. In March 2008, Dr. Fiorino founded a start-up biotechnology company, EnzymeRx, and served as President and Chief Executive Officer. At EnzymeRx, Dr. Fiorino successfully developed pegylated uricase through phase II studies and led its sale to 3SBio. After closing this transaction in November 2010, Dr. Fiorino served as a consultant to several biotechnology and pharmaceutical companies until joining Greywall. Before founding EnzymeRx, Dr. Fiorino was a biotechnology analyst and portfolio manager for healthcare hedge funds at Pequot Capital and Sands Point Partners and at Citigroup Asset Management, and a sell-side pharmaceuticals equity research analyst at JP Morgan. Dr. Fiorino received his MD and PhD from the Albert Einstein College of Medicine and a BS in Biology from the Massachusetts Institute of Technology, and trained in medicine and dermatology at the Hospital of the University of Pennsylvania.

Chaim Lebovits joined the Company in July 2007 as President. Mr. Lebovits controls ACC HOLDINGS INTERNATIONAL, and its subsidiaries ACC Resources, specializing in the mining, oil and energy industries, and ACC BioTech, which is focused on biotechnology. He has been at the forefront of mining and natural resource management in the African region for over a decade and has spent years leading the exploration and development of

resources in West Africa and Israel and served as a member of the board of directors of several companies in the industry. Mr. Lebovits has also held senior positions for the worldwide Chabad Lubavitch organization, the largest Jewish organization in the world today.

Liat Sossover joined the Company in June 2010 as our Chief Financial Officer. From 2001 until June 2010, Ms. Sossover served as the Vice President of Finance of ForeScout Technologies, an international high tech company in the network security solutions field. In such role, Ms. Sossover managed all financial and accounting aspects. Prior to that, Ms. Sossover served as VP of Finance and Secretary of Maximal Innovative Intelligence, a high tech company in the field of business intelligence solutions, which was acquired by Microsoft. She has held positions as Chief Financial Officer at Real Time Synthesized Entertainment Technology Ltd (RT-Set), currently known as Vizrt Ltd., a publicly traded company in Norway. Vizrt provides real-time 3D graphics and asset management tools for the broadcast industry. Ms. Sossover served as Financial Controller for BVR Systems (1998), Ltd., currently known as RVB Holdings Ltd., a company that is traded on Nasdaq, which develops, manufactures and markets simulation systems for military applications, which was later was acquired by Elbit Systems. Ms. Sossover holds an MBA from Edinburgh University, and a Bachelor's degree in Accounting & Economics from Ben Gurion University.

Uri Yablonka joined the Company on June 6, 2014 as Chief Operating Officer and as a member of the Board of Directors. Prior to joining the Company, Mr. Yablonka served since December 2010 as owner and General Manager of Uri Yablonka Ltd., a business consulting firm. He also served since January 2011 as Vice President, Business Development at ACC International Holdings Ltd. (Holdings). Holdings is also an affiliate of ACCBT Corp. Prior to serving with Holdings, Mr. Yablonka served as Senior Partner of PM-PR Media Consulting Ltd. From 2008 to January 2011, Mr. Yablonka was Senior Partner at PM-PR Media Consulting Ltd., where he led public relations and strategy consulting for a wide range of governmental and private organizations. From 2002 to 2008, he served as a correspondent at the Maariv Daily News Paper, including extensive service as a Diplomatic Correspondent. The Company believes that Mr. Yablonka's skills and experience provide the variety and depth of knowledge, judgment and vision necessary for the effective oversight of the Company. His experience in business consulting and development and media experience are expected to be valuable to the Company in its current stage of growth and beyond, and his governmental experience can provide valuable insight into issues faced by companies in regulated industries such as the Company. The Company believes that these skills and experiences qualify Mr. Yablonka to serve as a director of the Company.

Dr. Irit Arbel, one of BrainStorm's co-founders, joined the Company in May 2004 as a member of the Board of Directors and served as President of the Company for six months. Currently, Dr. Arbel is the Chairperson of the Board and the Chair of the Governance, Nominating and Compensation Committee (the GNC Committee). Dr. Arbel serves as Executive Vice President, Research and Development at Savicell Diagnostic Ltd. since July 2012. Savicell Diagnostic Ltd. is a biotechnology company and is a wholly-owned subsidiary of Online Disruptive Technologies, Inc. From 2009 through 2011, Dr. Arbel served as Chairperson of Real Aesthetics Ltd., a company specializing in cellulite ultrasound treatment, and BRH Medical, developer of medical devices for wound healing. She was also Director of M&A at RFB Investment House, a private investment firm focusing on early stage technology related companies. Previously, Dr. Arbel was President and Chief Executive Officer of Pluristem Life Systems, a biotechnology company, and prior to that, Israeli Sales Manager of Merck, Sharp & Dohme, a pharmaceutical company. Dr. Arbel earned her Post Doctorate degree in 1997 in Neurobiology, after performing research in the area of Multiple Sclerosis. Dr. Arbel also holds a Chemical Engineering degree from the Technion, Israel's Institute of Technology. We believe that Dr. Arbel possesses specific attributes that qualify her to serve on our Board of Directors including Dr. Arbel's extensive experience in the biotechnology field and significant leadership skills as a chief executive officer. Dr. Arbel previously served as our President, which service has given her a deep knowledge of the Company and its business and directly relevant management experience.

Mordechai Friedman joined the Company on April 4, 2011 as a member of the Board of Directors and as Chair of the Audit Committee of the Board. Mr. Friedman currently serves as Chairman of IPM Beer Tuvia Ltd. and Vice-Chairman of Triple-M Power Plants Ltd. From 2013 to 2014, Mr. Friedman served as Chief Executive Officer of Israel Financial Levers Ltd, an Israeli real estate company traded on Tel-Aviv Stock Exchange. From 2007 through 2010, Mr. Friedman served as the Chairman of the Board of The Israel Electric Corp., an electric utility company. From 2005 to 2007, Mr. Friedman served as Deputy Chairman of Brightman Almagor Zohar CPAs, the Israel Member Firm of Deloitte Touché Tohmatsu. Mr. Friedman has been a partner and director in several business ventures and companies in Israel and abroad in the transportation, consumer business, telecommunication and energy industries. Mr. Friedman currently serves as a director in the following public companies: (traded on Tel-Aviv Stock Exchange): (i) Elco Holdings Ltd. (Chairman of the Board); and (ii) Carmel Olefins Ltd. Mr. Friedman holds a B.A. in Economics and Accounting from Tel Aviv University. We believe that Mr. Friedman possesses specific attributes that qualify him to serve on our Board of Directors including Mr. Friedman's considerable experience in accounting

and valuable leadership skills as a chief executive officer.

Alon Pinkas joined the Company on December 13, 2010 as a member of the Board of Directors. Mr. Pinkas served as the Israeli Consul General to New York from 2000 to 2004 and is an internationally respected foreign affairs analyst. Mr. Pinkas currently serves as an Adviser at Tigris Financial Group, a financial services company, and the Rhodium Group, an advisory firm, and as a director for Ormat Industries Limited, B.G.I. Investments (1961) Ltd. and Agri-Invest Ltd. Mr. Pinkas has a B.S. in Political Science from The Hebrew University of Jerusalem and a Masters Degree in Politics from Georgetown University. We believe that Mr. Pinkas possesses specific attributes that qualify him to serve on our Board of Directors including Mr. Pinkas' considerable experience in foreign affairs. Mr. Pinkas also has substantial leadership and government experience from his service as the consul general of Israel to New York and as chief of staff to Ministers of Foreign Affairs of Israel.

Chen Schor joined the Company as a member of the Board of Directors on August 22, 2011. Mr. Schor is a global industry leader with vast experience in biotechnology, medical devices, business development and private equity. Mr. Schor led multiple licensing and M&A transactions valued at over $2 billion with companies such as GlaxoSmithKline, Amgen, Pfizer, Bayer, Merck-Serono and OncoGeneX Pharmaceuticals, and raised significant funds from reputable investors. Mr. Schor has a broad range of experience in multiple therapeutic areas including Neurology, Respiratory, Oncology, Auto-Immune, Genetic Diseases, and Women's Health. In addition to leading the global business development at Teva Pharmaceuticals, Mr. Schor played a key role in building early stage companies to regulatory approvals, IPOs and M&As. From March 2009 until September 2011, Mr. Schor served as Vice President of Business Development, global branded products at Teva Pharmaceuticals. Prior to joining Teva, Mr. Schor was Chief Business Officer at Epix Pharmaceuticals, Inc. (formerly known as Predix Pharmaceuticals, Inc.) from December 2003 until March 2009, leading the formation of more than $1.5 billion collaborations with GlaxoSmithKline, Amgen and additional pharmaceutical companies. Prior to joining Epix, Mr. Schor was a Partner at Yozma Venture Capital from September 1998 until December 2003, managing the fund's investments in biotechnology and medical device companies. Mr. Schor previously held positions at Arthur Anderson and BDO Consulting, an advisory firm. Mr. Schor holds an M.B.A., a B.A. in Biology, a B.A. in Economics and is a Certified Public Accountant. We believe that Mr. Schor possesses specific attributes that qualify him to serve on our Board of Directors including Mr. Schor's extensive experience in biotechnology and significant leadership skills from his service as a partner of a venture capital firm.

Dr. Robert Shorr joined the Company in March 2005 as a member of the Board of Directors. Since 1999, Dr. Shorr has served as Chief Executive Officer and Chief Science Officer of Cornerstone Pharmaceuticals, a biotechnology company. He has also been a member of the Department of Biomedical Engineering at SUNY Stony Brook, where he also serves as Director of Business Development for the university's Center for Advanced Technology. He has served as trustee at the Tissue Engineering Charities, Imperial College, London. From 1999 until 2005, Dr. Shorr was Vice-President of Science and Technology (CSO) of United Therapeutics, a NASDAQ listed biotechnology company. Prior to 1998, he was Vice President, Research and Development at Enzon, Inc., a NASDAQ listed pharmaceuticals company, and AT Biochem, a pharmaceuticals company, of which he was also founder. Dr. Shorr also served on the Board of Directors of Biological Delivery Systems Inc., a NASDAQ listed company. Dr. Shorr holds both a Ph.D. and a D.I.C. from the University of London, Imperial College of Science and Technology as well as a B.Sc. from SUNY Buffalo. We believe that Dr. Shorr possesses specific attributes that qualify him to serve on our Board of Directors including Dr. Shorr's extensive experience in biotechnology and valuable leadership skills as a chief executive officer.

Malcolm Taub joined the Company in March 2009 as a member of the Board of Directors. He is a member of the GNC Committee of the Board of Directors. He has recently served as a member of the Company's Deal Committee. Since October 2010, Mr. Taub has been a Partner at Davidoff Hutcher & Citron LLP, a full service law and government relations firm. He serves on the management committee of that firm. From 2001 to September 30, 2010, Mr. Taub was the Managing Member of Malcolm S. Taub LLP, a law firm which practiced in the areas of commercial litigation, among other practice areas. Mr. Taub also works on art transactions, in the capacity as an attorney and a consultant. Mr. Taub has acted as a consultant to the New York Stock Exchange in its Market Surveillance Department. Mr. Taub acts as a Trustee of The Gateway Schools of New York. Mr. Taub has served as an adjunct professor at Long Island University, Manhattan Marymount College and New York University Real Estate Institute. Mr. Taub holds a B.A. from Brooklyn College and a J.D. from Brooklyn Law School. Mr. Taub formerly served on the Board of Directors of Safer Shot, Inc. (formerly known as Monumental Marketing Inc.). We believe that Mr. Taub possesses specific attributes that qualify him to serve on our Board of Directors including Mr. Taub's vast law experience and his demonstrated leadership skills as a managing member of a law firm, as well as his service on the Boards of not-for-profit corporations.

Independence of the Board of Directors

The Board of Directors has determined that each of Dr. Arbel, Mr. Friedman, Mr. Pinkas, Dr. Shorr and Mr. Taub satisfies the criteria for being an “independent director” under the standards of the Nasdaq Stock Market, Inc. (NASDAQ) and has no material relationship with the Company other than by virtue of service on the Board of Directors. Mr. Schor and Mr. Yablonka are not considered “independent directors.”

The Board of Directors is comprised of a majority of independent directors and the Audit and GNC Committees are comprised entirely of independent directors.

Consulting Agreement with Mr. Schor

On August 22, 2011, we entered into an agreement with Chen Schor, which was amended and restated on November 11, 2011 to clarify vesting terms (as amended and restated, the Executive Director Agreement) pursuant to which we pay $15,000 per quarter to Mr. Schor for his services as an Executive Board Member. In accordance with the terms of the Executive Director Agreement, the Company and Mr. Schor have also entered into an amended and restated Restricted Stock Agreement on November 11, 2011, pursuant to which Mr. Schor received 923,374 shares of our restricted Common Stock under our 2005 U.S. Stock Option and Incentive Plan. The shares vest over 3 years – 307,791 shares on August 22, 2012, 307,791 shares on August 22, 2013 and 307,792 shares on August 22, 2014. Mr. Schor is not entitled to any other compensation for his services as a director.

Involvement in certain legal proceedings

None of our directors or executive officers has during the past ten years:

- been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offences);
- had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he was a general partner or executive officer, either at the time of the bankruptcy filing or within two years prior to that time;
- been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity;
- been found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent

cease-and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

- been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act, any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Code of Ethics

On May 27, 2005, our Board of Directors adopted a Code of Ethics that applies to, among other persons, members of our Board of Directors, officers and employees. A copy of our Code of Ethics is posted on our website at *www.brainstorm-cell.com*.We intend to satisfy the disclosure requirement regarding any amendment to, or waiver of, a provision of the Code of Ethics applicable to our principal executive officer or our senior financial officers (principal financial officer and controller or principal accounting officer, or persons performing similar functions) by posting such information on our website.

Committees of the Board of Directors

Audit Committee

On February 7, 2008, the Board of Directors established a standing Audit Committee in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, which assists the Board of Directors in fulfilling its responsibilities to stockholders concerning our financial reporting and internal controls, and facilitates open communication among the Audit Committee, Board of Directors, outside auditors and management. The Audit Committee discusses with management and our outside auditors the financial information developed by us, our systems of internal controls and our audit process. The Audit Committee is solely and directly responsible for appointing, evaluating, retaining and, when necessary, terminating the engagement of the independent auditor. The independent auditors meet with the Audit Committee (both with and without the presence of management) to review and discuss various matters pertaining to the audit, including our financial statements, the report of the independent auditors on the results, scope and terms of their work, and their recommendations concerning the financial practices, controls, procedures and policies employed by us. The Audit Committee preapproves all audit services to be provided to us, whether provided by the principal auditor or other firms, and all other services (review, attest and non-audit) to be provided to us by the independent auditor. The Audit Committee coordinates the Board of Directors' oversight of our internal control over financial reporting, disclosure controls and procedures and code of conduct. The Audit Committee is charged with establishing procedures for (i) the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. The Audit Committee reviews all related party transactions on an ongoing basis, and all such transactions must be approved by the Audit Committee. The Audit Committee is authorized, without further action by the Board of Directors, to engage such independent legal, accounting and other advisors as it deems necessary or appropriate to carry out its responsibilities. The Board of Directors has adopted a written charter for the Audit Committee, which is available in the corporate governance section of our website at *www.brainstorm-cell.com*. The Audit Committee currently consists of Mr. Friedman (Chair), Dr. Arbel and Mr. Pinkas each of whom is independent within the meaning of The NASDAQ Marketplace Rules and Rule 10A-3 under the Exchange Act. The Board of Directors has determined that Mr. Friedman is an "audit committee financial expert" as defined in Item 407(d)(5) of Regulation S-K. The Audit Committee held four meetings during the fiscal year ended December 31, 2013.

GNC Committee

On June 27, 2011, the Board of Directors established a standing Governance, Nominating and Compensation Committee (the GNC Committee), which assists the Board in fulfilling its responsibilities relating to (i) compensation of the Company's executive officers, (ii) the director nomination process and (iii) reviewing the Company's compliance with SEC corporate governance requirements. The Board has adopted a written charter for the GNC Committee, which is available in the corporate governance section of our website at *www.brainstorm-cell.com*. The GNC Committee currently consists of Dr. Arbel (Chair), Dr. Shorr and Mr. Taub, each of whom is independent as defined under applicable Nasdaq listing standards. The GNC Committee held no meetings during the fiscal year ended

December 31, 2013.

The GNC Committee determines salaries, incentives and other forms of compensation for the Chief Executive Officer and the executive officers of the Company and reviews and makes recommendations to the Board with respect to director compensation. The GNC Committee annually reviews and approves the corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluates the Chief Executive Officer's performance in light of these goals and objectives, and sets the Chief Executive Officer's compensation level based on this evaluation. The GNC Committee meets without the presence of executive officers when approving or deliberating on executive officer compensation, but may invite the Chief Executive Officer to be present during the approval of, or deliberations with respect to, other executive officer compensation. In addition, the GNC Committee administers the Company's stock incentive compensation and equity-based plans.

The GNC Committee makes recommendations to the Board concerning all facets of the director nominee selection process. Generally, the GNC Committee identifies candidates for director nominees in consultation with management and the independent members of the Board, through the use of search firms or other advisers, through the recommendations submitted by stockholders or through such other methods as the GNC Committee deems to be helpful to identify candidates. Once candidates have been identified, the GNC Committee confirms that the candidates meet the independence requirements and qualifications for director nominees established by the Board. The GNC Committee may gather information about the candidates through interviews, questionnaires, background checks, or any other means that the GNC Committee deems to be helpful in the evaluation process. The GNC Committee meets to discuss and evaluate the qualities and skills of each candidate, both on an individual basis and taking into account the overall composition and needs of the Board. Upon selection of a qualified candidate, the GNC Committee would recommend the candidate for consideration by the full Board.

In considering whether to include any particular candidate in the Board's slate of recommended director nominees, the Board will consider the candidate's integrity, education, business acumen, knowledge of the Company's business and industry, age, experience, diligence, conflicts of interest and the ability to act in the interests of all stockholders. The Board believes that experience as a leader of a business or institution, sound judgment, effective interpersonal and communication skills, strong character and integrity, and expertise in areas relevant to our business are important attributes in maintaining the effectiveness of the Board. As a matter of practice, the Board considers the diversity of the backgrounds and experience of prospective directors as well as their personal characteristics (e.g., gender, ethnicity, age) in evaluating, and making decisions regarding, Board composition, in order to facilitate Board deliberations that reflect a broad range of perspectives. The Board does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. The Company believes that the backgrounds and qualifications of its directors, considered as a group, should provide a significant breadth of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities.

Stockholder Nominations

On June 27, 2011, the Board of Directors adopted the Brainstorm Cell Therapeutics Inc. Shareholder Nominations and Communications Policy (the Policy), which established procedures by which stockholders may recommend nominees to our Board of Directors. Previously, we had no formal policy by which a stockholder could recommend nominees to our Board of Directors.

Pursuant to the Policy, stockholders may recommend nominees for consideration by submitting the following information to our Secretary at our executive offices: (i) a current resume and curriculum vitae of the candidate; (ii) a statement describing the candidate's qualifications; and (iii) contact information for personal and professional references. In addition, submission must include the name and address of the stockholder making the nomination, the number of shares which are owned by such stockholder and a description of all arrangements or understandings between such stockholder and the candidate. Assuming that the required material has been provided on a timely basis, the GNC Committee will evaluate stockholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others.

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EXECUTIVE COMPENSATION

Summary Compensation

The following table sets forth certain summary information with respect to the compensation paid during the fiscal years ended December 31, 2013 and 2012 earned by our former Chief Executive Officer, our President, our Chief Financial Officer and our Director of Research and Development (the Named Executive Officers). In the table below, columns required by the regulations of the SEC have been omitted where no information was required to be disclosed under those columns.

Summary Compensation Table (*)

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($) (1) (2)	All Other Compensation ($)(3)	Total ($)
Alon Natanson (4)	2013	117,000	-	-	94,000	211,000
Former Chief Executive Officer	2012	-	-	-	-	-
Chaim Lebovits (5)	2013	-	-	-	-	-
President	2012	-	-	-	-	-
Adrian Harel (6)	2013	130,000	11,000	-	70,000	211,000
Former Director of Research and Development	2012	121,438	60,000(7)	16,005	71,257	268,700
Liat Sossover	2013	106,000	-	16,000	65,000	187,000
Chief Financial Officer	2012	99,330 (8)	20,000(9)	13,719	56,073	189,122

(*) The Named Executive Officers were paid in NIS; the amounts above are the U.S. dollar equivalent. The conversion rate used was the average of the end of month's rate between the U.S. dollar and the NIS as published by the Bank of Israel, the central bank of Israel.

(1) The amounts shown in the "Option Awards" column represent the aggregate grant date fair value of awards computed in accordance with ASC 718, not the actual amounts paid to or realized by the Named Executive Officer during fiscal 2013 and fiscal 2012. ASC 718 fair value amount as of the grant date for stock options generally is spread over the number of months of service required for the grant to vest.

(2) The fair value of each stock option award is estimated as of the date of grant using the Black-Scholes valuation model. Additional information regarding the assumptions used to estimate the fair value of all stock option awards is included in Note(8)(B)(2)(a) to Consolidated Financial Statements.

(3) Includes management insurance (which includes pension, disability insurance and severance pay), payments towards such employee's education fund, Israeli social security and amounts paid for use of a Company car and cellular phone. Each Named Executive Officer also receives gross-up payments for the taxes on these benefits.

(4) Mr. Natanson joined the Company on February 1, 2013 as our Chief Executive Officer and resigned effective October 28, 2013.

(5) On August 1, 2013, the Company appointed Chaim Lebovits, the President of the Company, as its Principal Executive Officer, and to assume the duties and responsibilities of the Chief Executive Officer on an interim basis while the Company searched for a new Chief Executive Officer. Mr. Lebovits was not compensated for these services. A new Chief Executive Officer was appointed on June 9, 2014.

(6) Dr. Harel joined the Company on January 24, 2011 as our Chief Operating Officer and Acting Chief Executive Officer. On June 11, 2012, Dr. Harel was appointed Chief Executive Officer and Director of Research and Development. On February 1, 2013, Dr. Harel ceased serving as our Chief Executive Officer. On December 24, 2013, Dr. Harel informed the Company of his resignation from his position with the Company.

(7) On August 1, 2012, the GNC Committee approved: (i) a $50,000 cash bonus in recognition of Dr. Harel's efforts in completing the Company's recent financing transaction; and (ii) a $10,000 cash bonus for Dr. Harel achieving individual performance goals.

(8) On August 1, 2012, the GNC Committee approved a 10% increase in Ms. Sossover's base salary (from NIS29,000 to NIS31,900, monthly).

(9) On August 1, 2012, the GNC Committee approved a $20,000 cash bonus in recognition of Ms. Sossover's efforts in completing the Company's recent financing transaction.

(10) On December 31, 2013, the GNC Committee approved a grant of 100,000 stock options to Ms. Sossover at an exercise price of $0.18 per share.

Executive Employment Agreements and Termination of Employment and Change-in-Control Arrangements

Alon Natanson

Pursuant to his employment agreement dated January 24, 2013, while employed by the Company Mr. Natanson was entitled to a monthly salary of 53,000 NIS (approximately $14,200). Mr. Natanson also received other benefits that are generally made available to our employees, including pension and education fund benefits. Mr. Natanson was provided with a Company car and cellular phone, and a gross-up payment for any taxes relating thereto. Mr. Natanson also received a grant of a stock option (the Initial Grant) on January 24, 2013 (the Grant Date) for the purchase of 4,000,000 shares of the Company's Common Stock, which would have vested and become exercisable as to 33 1/3% of the shares on the first anniversary of the Grant Date (the Initial Vesting Date) and the remainder of the shares would vest and become exercisable in equal monthly installments on each of the 36 monthly anniversaries following the Initial Vesting Date. The exercise price for the Initial Grant was $0.29 per share. In the event that prior to the first anniversary of the Grant Date (and provided that Mr. Natanson was then actively employed by us): (i) we raised $10 million or more in one transaction; (ii) the shares of the Company were admitted for trading on NASDAQ; and (iii) we were granted the approval of the FDA to conduct clinical trials in the United States, then on the first anniversary of the Grant Date, Mr. Natanson would have been granted an additional stock option for the purchase of an additional 2,000,000 shares of the Company's Common Stock upon the same terms as the Initial Grant. On July 28, 2013, Alon Natanson informed the Company of his resignation from his position with the Company effective 90 days after the notice. As of October 28, 2013, Mr. Natanson was no longer employed by the Company and forfeited any right to the foregoing compensation.

Chaim Lebovits

Currently, we do not have an employment agreement with Mr. Lebovits and he is not entitled to receive any compensation from us at this time.

Liat Sossover

Pursuant to her employment agreement dated June 23, 2010, Ms. Sossover is entitled to a monthly salary of 31,900 NIS (approximately $9,200) per month. Ms. Sossover is also entitled to contributions on her behalf by the Company into a manager's insurance fund, disability insurance and an education fund. Ms. Sossover is provided with a Company car and cellular phone, and a gross-up payment for any taxes relating thereto.

Adrian Harel

Pursuant to his employment agreement dated January 23, 2011, as amended effective August 1, 2011, Dr. Harel was entitled to a monthly salary of 39,000 NIS (approximately $11,100). Dr. Harel also received other benefits that are generally made available to our employees. Dr. Harel was provided with a company car and a gross-up payment for any taxes relating thereto. On December 24, 2013, Dr. Harel informed the Company of his resignation from his position with the Company.

Tony Fiorino

On June 9, 2014, the Company and Dr. Fiorino entered into an employment agreement which sets forth the terms of Dr. Fiorino's employment (the Agreement). Pursuant to the Agreement, Dr. Fiorino will be paid an annual salary of $275,000, to be increased annually by no less than $7,500 per year. Dr. Fiorino will also receive other benefits that are generally made available to the Company's employees. Dr. Fiorino also was granted a stock option (the Fiorino Grant) on June 9, 2014 (the Grant Date) for the purchase of 5,700,000 shares of the Company's Common Stock (the Shares), which shall vest and become exercisable as to 25% of the Shares on the first anniversary of the Grant Date (the Initial Vesting Date) and the remainder of the Shares shall vest and become exercisable in equal monthly installments on each of the 36 monthly anniversaries following the Initial Vesting Date. The exercise price for the Fiorino Grant is $0.30 per share.

The Agreement contains termination provisions, pursuant to which (A) if the Company terminates the Agreement or Dr. Fiorino's employment without Cause (as defined in the Agreement) or if Dr. Fiorino terminates the Agreement or his employment thereunder with Good Reason (as defined in the Agreement), the Company shall (i) continue to pay Dr. Fiorino, as severance pay, his base salary pursuant to the Company's regular payroll schedule for a period equal to four (4) months (which shall increase to six (6) months after the first anniversary of the date of the Agreement and nine (9) months after the second anniversary of the date of the Agreement) (assuming Dr. Fiorino is actively employed by the Company on such dates) from the date that Dr. Fiorino receives notice of termination of his employment with the Company (the Payment Period) or issue within 15 days of his termination a lump sum payment equivalent to such number of months of base salary; and (ii) pay Dr. Fiorino within 30 days of his termination of employment any bonus compensation that Dr. Fiorino would be entitled to receive during the Payment Period in the absence of his termination without Cause or for Good Reason; (iii) immediately vest such number of options that would have vested during the following 6 months following the date of notice of termination and (iv) shall continue to provide to Dr. Fiorino health insurance benefits during the Payment Period and; (B) if at any time within twelve (12) months after a Change of Control of the Company (as defined in the Agreement) has occurred, Dr. Fiorino's employment is terminated (x) by the Company or any successor company for any reason other than for Cause or Dr. Fiorino's disability or death (y) or by Dr. Fiorino due to a Change of Control termination, the Company shall pay or provide Dr. Fiorino the following within thirty (30) days of such termination of employment: (i) all base salary up through the date of such termination, (ii) Dr. Fiorino's target bonus compensation for the year in which the Change of Control, (iii) base salary for twelve (12) months following the date of such termination; and (iv) acceleration in full of the vesting and exercisability of all Company stock options granted to Dr. Fiorino. The foregoing severance payments are conditional upon Dr. Fiorino executing a full and general waiver and release in favor of the Company in a form reasonably acceptable to the Company.

Uri Yablonka

On June 6, 2014, our Israeli Subsidiary and Uri Yablonka entered into an employment agreement which sets forth the terms of Mr. Yablonka's employment (the Employment Agreement). Pursuant to the Employment Agreement, Uri Yablonka will be paid a monthly salary of NIS31,900 (approximately $9,200 based on current currency exchange rates). Mr. Yablonka will also receive other benefits that are generally made available to the Company's employees, including pension and education fund benefits. The Company will provide Mr. Yablonka with a Company car and cellular phone, and a gross-up payment for any taxes relating thereto. Mr. Yablonka also was granted a stock option (the Initial Grant) on June 6, 2014 (the Grant Date) under the Company's Global Plan for the purchase of 500,000 shares of the Company's Common Stock, which was fully vested and exercisable upon grant. The exercise price for the Initial Grant is $0.18 per share.

In addition, the Company agreed to grant Mr. Yablonka a stock option under the Global Plan (or the applicable successor option plan) for the purchase of up to 200,000 shares of Common Stock (subject to appropriate adjustment in the case of stock splits, reverse stock splits and the like) of the Company (the Additional Options and each an Additional Option) on the first business day after each annual meeting of stockholders (or special meeting in lieu thereof) of the Company beginning with the 2014 annual meeting, and provided that Mr. Yablonka remains an employee of the Company on each such date. The exercise price per share of the Common Stock subject to each Additional Option shall be equal to $0.05 (subject to appropriate adjustment in the case of stock splits, reverse stock

splits and the like, or changes to the Israeli Annual Option Award under the Company's Director Compensation Plan as amended from time to time). Each Additional Option will vest and become exercisable on each monthly anniversary date as to 1/12th the number of shares subject to the option over a period of twelve months from the date of grant such that each Additional Option will be fully vested and exercisable on the first anniversary of the date of grant, provided that Mr. Yablonka remains an employee of the Company on each such vesting date.

Terms of Option Awards

All options granted to the Named Executive Officers were granted pursuant to our Global Plan and each such option expires on the tenth anniversary of the grant date.

On August 1, 2012, Dr. Harel was granted an option to purchase 70,000 shares of our Common Stock at a price per share of $0.26. Such option becomes fully vested and exercisable in 12 equal monthly installments.

On August 1, 2012, Ms. Sossover was granted an option to purchase 60,000 shares of our Common Stock at a price per share of $0.26. Such option becomes fully vested and exercisable in 12 equal monthly installments.

On December 31, 2013, Ms. Sossover was granted an option to purchase 100,000 shares of our Common Stock at a price per share of $0.18. Such option vested and became exercisable as to 1/3 of the shares subject to the option on December 31, 2014 and the remainder of the shares subject to the option vest and become exercisable over the following 24 months in equal installments.

On June 6, 2014, Mr. Yablonka was granted an option to purchase 500,000 shares of the Company's Common Stock, which was fully vested and exercisable upon grant. The exercise price for the Initial Grant is $0.18 per share.

On June 9, 2014, Dr. Fiorino was granted an option to purchase 5,700,000 shares of the Company's Common Stock, which shall vest and become exercisable as to 25% of the Shares on the first anniversary of the Grant Date and the remainder of the Shares shall vest and become exercisable in equal monthly installments on each of the 36 monthly anniversaries following the Initial Vesting Date. The exercise price is $0.30 per share.

Outstanding Equity Awards

The following table sets forth information regarding equity awards granted to the Named Executive Officers that are outstanding as of December 31, 2013. In the table below, columns required by the regulations of the SEC have been omitted where no information was required to be disclosed under those columns.

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Outstanding Equity Awards at December 31, 2013

	Option Awards				
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable		Option Exercise Price ($)	Option Expiration Date
Adrian Harel	437,500	-		0.20	3/24/2014
	70,000	-		0.20	3/24/2014
	70,000	-		0.26	3/24/2014
Liat Sossover	400,000	-		0.18	6/23/2020
	60,000	-		0.26	8/1/2022
	-	100,000	(1)	0.18	12/31/2023

(1) Options for the purchase of 33,333 shares will vest and become exercisable on December 31, 2014. Options for the purchase of 2,778 shares will vest and become exercisable on the last day of each month until the option is fully vested.

Stock Incentive Plans

In November 2004 and February 2005, the Board of Directors adopted and ratified the Global Plan and the 2005 U.S. Stock Option and Incentive Plan (as amended, the U.S. Plan and together with the Global Plan, the Plans), respectively, and further approved the reservation of 9,143,462 shares of our Common Stock for issuance thereunder. Our stockholders approved the Plans and the shares reserved for issuance thereunder at a special meeting of stockholders that was held on March 28, 2005.

On April 28, 2008, the Board approved the amendment and restatement of the Plans to increase the number of shares available for issuance under the Plans by an additional 5,000,000 shares. Our stockholders approved the amendment and restatement of the Plans on June 5, 2008.

On April 21, 2011, the Board approved another amendment and restatement of the Plans to increase the number of shares available for issuance under the Plans by an additional 5,000,000 shares. Our stockholders approved the amendment and restatement of the Plans on June 10, 2011.

On May 6, 2012, the Board approved another amendment and restatement of the Plans to increase the number of shares available for issuance under the Plans by an additional 9,000,000 shares. Our stockholders approved the amendment and restatement of the Plans on June 12, 2012.

Under the Global Plan, we granted a total of 13,584,985 options with various exercise prices (a weighted average exercise price of $0.16756 and expiration dates, to service providers, subcontractors, directors, officers, and employees. Under the U.S. Plan, we issued an additional 11,750,040 shares of restricted stock and options to Scientific Advisory Board members, consultants, and directors. As of June 20, 2014, there were 2,808,437 shares available for issuance under the Plans.

On July 9, 2014, the Board approved a 2014 Global Share Option Plan and a 2014 Stock Incentive Plan (together, the "2014 Plans"), which will be submitted to the stockholders at the Company's 2014 Annual Meeting of Stockholders on August 14, 2014, and if approved will replace the Global Plan and the U.S. Plan, respectively.

Compensation of Directors

The following table sets forth certain summary information with respect to the compensation paid during the fiscal year ended December 31, 2013 earned by each of the directors of the Company. In the table below, columns required by the regulations of the SEC have been omitted where no information was required to be disclosed under those columns.

Director Compensation Table for Fiscal 2013

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards ($)(1)(2)	Total ($)
Dr. Irit Arbel	—	—	37,050(3)	37,050
Mr. Mordechai Friedman	—	—	30,875(4)	30,875
Dr. Abraham Israeli	—	—	40,000(5)	40,000
Mr. Alon Pinkas	—	—	26,759(6)	26,759
Mr. Chen Schor	60,000 (7)	— (8)	—	60,000
Dr. Robert Shorr	—	29,900(9)	—	29,900
Mr. Malcolm Taub	—	29,900(10)	—	29,900

(1) The amounts shown in the “Stock Awards” and “Option Awards” columns represent the aggregate grant date fair value of awards computed in accordance with ASC 718, not the actual amounts paid to or realized by the directors during fiscal 2013.

(2) The fair value of each stock option award is estimated as of the date of grant using the Black-Scholes valuation model. Additional information regarding the assumptions used to estimate the fair value of all stock option awards is included in Note(8)(B)(2)(a) to Consolidated Financial Statements.

(3) At December 31, 2013, Dr. Arbel had options (vested and unvested) to purchase 1,348,333 shares of Common Stock.

(4) At December 31, 2013, Mr. Friedman had options (vested and unvested) to purchase 466,667 shares of Common Stock.

(5) At December 31, 2013, Dr. Israeli had options (vested and unvested) to purchase 866,664 shares of Common Stock. Dr. Israeli resigned from the Board as of April 25, 2014.

(6) At December 31, 2013, Mr. Pinkas had options (vested and unvested) to purchase 440,000 shares of Common Stock.

(7) Represents the amount paid to Mr. Schor pursuant to the Executive Director Agreement for his services as a director and consultant.

(8) At December 31, 2013, Mr. Schor had 307,791 shares of unvested restricted Common Stock.

(9) At December 31, 2013, Mr. Shorr had 43,333 shares of unvested restricted Common Stock.

(10) At December 31, 2013, Mr. Taub had vested options to purchase 100,000 shares of Common Stock and 43,333 shares of unvested restricted Common Stock.

On October 14, 2007, we implemented a compensation plan for non-employee directors. Under this compensation plan, each director was entitled to receive an option to purchase 100,000 shares of our Common Stock or 100,000 restricted shares of Common Stock. Dr. Israeli did not earn compensation in accordance with this compensation plan. In 2010, we issued an option to purchase 200,000 shares of Common Stock to Dr. Arbel under this compensation policy. In addition, in 2010, we approved the issuance of 200,000 restricted shares of Common Stock to Dr. Shorr and Mr. Taub under this compensation policy. The determination to grant equity awards in an amount greater than as set forth in the compensation plan was made at the discretion of the Board and as recognition for service on the Audit Committee by Drs. Arbel and Shorr and as recognition of service on the Board by Mr. Taub.

The Board also made the determination to issue an option to purchase 200,000 shares of Common Stock to Dr. Israeli in recognition of his service as the Chairman of the Board and the number of hours Dr. Israeli devotes to fulfillment of his responsibilities of such role.

On June 27, 2011, we implemented a new Director Compensation Plan for non-employee directors (the Director Compensation Plan). Every non-employee director of the Company, other than Dr. Israeli (when he was a director) and Mr. Schor, are eligible to participate in the Director Compensation Plan. Under the Director Compensation Plan, each eligible director is granted an annual award immediately following each annual meeting of stockholders beginning with the 2011 annual meeting. For non-U.S. directors, this annual award consists of a nonqualified stock option to purchase 100,000 shares of Common Stock (which amount was later increased to 200,000 shares of Common Stock, starting with the 2014 annual meeting). For U.S. directors, at their option, this annual award is either (i) a nonqualified stock option to purchase 100,000 shares of Common Stock or (ii) 100,000 shares of restricted stock. Additionally, each member of the GNC Committee or Audit Committee receives (i) a nonqualified stock option to purchase 30,000 shares of Common Stock or (ii) in the case of U.S. directors and at their option, 30,000 shares of restricted stock. The chair of the GNC Committee or Audit Committee will instead of the above committee award receive (i) a nonqualified stock option to purchase 50,000 shares of Common Stock or (ii) in the case of U.S. directors and at their option, 50,000 shares of restricted stock. Any eligible participant who is serving as chairperson of the Board of Directors of the Company shall also receive (i) a nonqualified stock option to purchase 100,000 shares of Common Stock or (ii) in the case of U.S. directors and at their option, 100,000 shares of restricted stock. Awards are granted on a pro rata basis for directors serving less than a year at the time of grant. The exercise price for options for U.S. directors will be equal to the closing price per share of the Common Stock on the grant date as reported on the Over-the-Counter Bulletin Board or the national securities exchange on which the Common Stock is then traded. The exercise price for options for non-U.S. directors was $0.15 per share, and starting with the 2014 annual meeting will be $0.05 per share. Every option and restricted stock award will vest monthly as to 1/12 the number of shares subject to the award over a period of twelve months from the date of grant, provided that the recipient remains a member of the Board of Directors of the Company on each such vesting date, or, in the case of a committee award, remains a member of the committee on each such vesting date. On July 9, 2014, we amended and restated the Director Compensation Plan. Pursuant to the amended and restated Director Compensation Plan, the annual award to non-U.S. directors was increased to a nonqualified stock option to purchase 200,000 shares of Common Stock at an exercise price of $0.05 per share.

On June 27, 2011 and August 1, 2012, the following grants were made under the Director Compensation Plan to the eligible directors: Dr. Arbel received a stock option to purchase 180,000 shares of Common Stock for her service as a director, chair of the GNC Committee and a member of the Audit Committee; Mr. Friedman received a stock option to purchase 150,000 shares of Common Stock for his service as a director and chair of the Audit Committee; Mr. Pinkas received a stock option to purchase 130,000 shares of Common Stock for his service as a director and a member of the Audit Committee; Mr. Shorr received 130,000 shares of restricted stock for his service as a director and a member of the GNC Committee; and Mr. Taub received 130,000 shares of restricted stock for his service as a director and a member of the GNC Committee.

Prior to his April 25, 2014 resignation, Dr. Israeli received an annual option for the purchase of 166,666 shares of Common Stock at an exercise price equal to $0.00005 per the terms of the Agreement, as described in detail in “Certain Relationships and Related Transactions”, which option is compensation for both his service as a director and as a clinical trials advisor. In addition, in December 2010 the Board granted Dr. Israeli an option to purchase 200,000 shares of Common Stock at an exercise price equal to $0.15 in recognition of his service as the Chairman of the Board and the number of hours Dr. Israeli devotes to fulfillment of his responsibilities of such role.

On August 22, 2011, Mr. Schor received a grant of 923,374 shares of restricted stock and receives $15,000 per quarter for his services as a director and advisor of the Company pursuant to the terms of the Executive Director Agreement, as described in detail under “Consulting Agreement with Mr. Schor” above.

In December 2013, the Board of the Company agreed to grant to Prof. Israeli additional options in connection with the yearly grant under the Hadasit Agreement. The Hadasit Agreement was terminated effective April 25, 2014 and Prof. Israeli and Hadasit will no longer receive annual grants to purchase shares of Common Stock, and any outstanding and unvested grants made pursuant to the Hadasit Agreement ceased to vest, and the grants are valid until and may be exercised only on or before October 25, 2014.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of June 20, 2014 with respect to the beneficial ownership of our Common Stock by the following: (i) each of our current directors; (ii) the Named Executive Officers; (iii) all of the current executive officers and directors as a group; and (iv) each person known by the Company to own beneficially more than five percent (5%) of the outstanding shares of our Common Stock.

For purposes of the following table, beneficial ownership is determined in accordance with the rules of the SEC and the information is not necessarily indicative of beneficial ownership for any other purpose. Except as otherwise noted in the footnotes to the table, we believe that each person or entity named in the table has sole voting and investment power with respect to all shares of our Common Stock shown as beneficially owned by that person or entity (or shares such power with his or her spouse). Under the SEC's rules, shares of our Common Stock issuable under options that are exercisable on or within 60 days after June 20, 2014 (Presently Exercisable Options) or under warrants that are exercisable on or within 60 days after June 20, 2014 (Presently Exercisable Warrants) are deemed outstanding and therefore included in the number of shares reported as beneficially owned by a person or entity named in the table and are used to compute the percentage of the Common Stock beneficially owned by that person or entity. These shares are not, however, deemed outstanding for computing the percentage of the Common Stock beneficially owned by any other person or entity. Unless otherwise indicated, the address of each person listed in the table is c/o Brainstorm Cell Therapeutics Inc., 605 Third Avenue, 34th Floor, New York, New York 10158.

The percentage of the Common Stock beneficially owned by each person or entity named in the following table is based on 224,834,618 shares of Common Stock outstanding as of June 20, 2014 plus any shares issuable upon exercise of Presently Exercisable Options and Presently Exercisable Warrants held by such person or entity.

	Shares Beneficially Owned			
Name of Beneficial Owner	Number of Shares		Percentage of Class	
Directors and Named Executive Officers				
Anthony Fiorino	—		—	
Chaim Lebovits	60,776,524	(1)	23.8	%
Alon Natanson(2)	—		—	
Adrian Harel(3)	—		—	
Liat Sossover	460,000	(4)	*	
Uri Yablonka	500,000	(4)	*	
Irit Arbel	3,648,333	(5)	1.6	%
Mordechai Friedman	466,667	(4)	*	
Alon Pinkas	440,000	(4)	*	
Chen Schor	923,374		*	
Robert Shorr	490,000		*	
Malcolm Taub	798,333	(6)	*	
All current directors and officers as a group (10 persons)	68,503,231	(7)	26.5	%
5% Shareholders				

ACCBT Corp. Morgan & Morgan Building Pasea Estate, Road Town Tortola British Virgin Islands	60,776,524	(1)	23.8	%
Sabby Management, LLC 10 Mountainview Road, Suite 205 Upper Saddle River, New Jersey 07458	22,000,000	(8)	9.8	%

*Less than 1%.

(1) Consists of (i) 29,006,924 shares of Common Stock owned by ACCBT Corp., (ii) 30,250,000 shares of Common Stock issuable to ACCBT Corp. upon the exercise of Presently Exercisable Warrants and (iii) 1,519,600 shares of Common Stock owned by ACC International Holdings Ltd. ACC International Holdings Ltd. and Chaim Lebovits, our President, may each be deemed the beneficial owners of these shares. Each of ACCBT Corp., ACC International Holdings Ltd. and Chaim Lebovits disclaims beneficial ownership over these shares except to the extent of its or his pecuniary interest therein.

(2) Mr. Natanson resigned from the Company as of October 28, 2013.

(3) Mr. Harel resigned from the Company on December 24, 2013.

(4) Consists of shares of Common Stock issuable upon the exercise of Presently Exercisable Options.

(5) Includes 1,348,333 shares of Common Stock issuable upon the exercise of Presently Exercisable Options. Dr. Arbel's address is 6 Hadishon Street, Jerusalem, Israel.

(6) Includes 100,000 shares of Common Stock issuable upon the exercise of Presently Exercisable Options.

(7) Includes (i) 29,006,924 shares of Common Stock owned by ACCBT Corp. (Chaim Lebovits, our President, may be deemed to be the beneficial owner of these shares), (ii) 30,250,000 shares of Common Stock issuable to ACCBT Corp. upon the exercise of Presently Exercisable Warrants (iii) 1,519,600 shares of Common Stock owned by ACC International Holdings Ltd. (Chaim Lebovits, our President, may be deemed to be the beneficial owner of these shares) and (iv) 3,315,000 shares of Common Stock issuable upon the exercise of Presently Exercisable Options. Each of ACCBT Corp., ACC International Holdings Ltd. and Chaim Lebovits disclaims beneficial ownership over these shares except to the extent of its or his pecuniary interest therein.

(8) Based on information provided in the Schedule 13G filed by Sabby Healthcare Volatility Master Fund, Ltd., Sabby Volatility Warrant Master Fund, Ltd., Sabby Management, LLC and Hal Mintz with the SEC on June 18, 2014. As calculated in accordance with Rule 13d-3 of the Exchange Act, (i) Sabby Healthcare Volatility Master Fund, Ltd. and Sabby Volatility Master Fund, Ltd. beneficially own 12,000,000 and 10,000,000 shares of Common Stock, respectively, representing approximately 5.3% and 4.5% of the Common Stock, respectively, and (ii) Sabby Management, LLC and Hal Mintz each beneficially own 22,000,000 shares of the Common Stock, representing approximately 9.8% of the Common Stock. Sabby Management, LLC and Hal Mintz do not directly own any shares of Common Stock, but each indirectly owns 22,000,000 shares of Common Stock. Sabby Management, LLC, a Delaware limited liability company, indirectly owns 22,000,000 shares of Common Stock because it serves as the investment manager of Sabby Healthcare Volatility Master Fund, Ltd. and Sabby Volatility Warrant Master Fund, Ltd., Cayman Islands companies. Mr. Mintz indirectly owns 22,000,000 shares of Common Stock in his capacity as manager of Sabby Management, LLC. Each of Sabby Management, LLC and Hal Mintz disclaims beneficial ownership over these shares except to the extent of its or his pecuniary interest therein.

RELATED PARTY TRANSACTIONS

Certain Relationships and Related Transactions

The Audit Committee of our Board of Directors reviews and approves all related-party transactions. A “related-party transaction” is a transaction that meets the minimum threshold for disclosure under the relevant SEC rules (transactions involving amounts exceeding the lesser of $120,000 or one (1) percent of the average of the smaller reporting company's total assets at year end for the last two fiscal years in which a “related person” or entity has a direct or indirect material interest). “Related persons” include our executive officers, directors, 5% or more beneficial owners of our Common Stock, immediate family members of these persons and entities in which one of these persons has a direct or indirect material interest. When a potential related-party transaction is identified, management presents it to the Audit Committee to determine whether to approve or ratify it.

The Audit Committee reviews the material facts of any related-party transaction and either approves or disapproves of the entry into the transaction. If advance approval of a related-party transaction is not feasible, then the transaction will be considered and, if the Audit Committee determines it to be appropriate, ratified by the Audit Committee. No director may participate in the approval of a transaction for which he or she is a related party.

Research and License Agreement with Ramot

On July 12, 2004, we entered into the Original License Agreement with Ramot, a former 5% stockholder of the Company, which agreement was amended on March 30, 2006 by the Amended Research and License Agreement (described below). Under the terms of the Original Ramot Agreement, Ramot granted to us an exclusive license to (i) the inventions, know-how and results made with respect to the stem cell technology developed by the team led by Prof. Melamed and Prof. Offen in the course of the performance of the research, and the patents and pending patent applications owned by Ramot, and (ii) the results of further research to be performed by the same team on the development of the stem cell technology. Simultaneously with the execution of the Original Ramot Agreement, we entered into individual consulting agreements with Prof. Melamed and Prof. Offen pursuant to which all intellectual property developed by Prof. Melamed or Prof. Offen in the performance of services thereunder will be owned by Ramot and licensed to us under the Original Ramot Agreement.

Under the Original Ramot Agreement, we agreed to fund further research relating to the licensed technology in an amount of $570,000 per year for an initial period of two years, and for an additional two-year period if certain research milestones were met.

In consideration for the license, we originally agreed to pay Ramot:

- An up-front license fee payment of $100,000;
- An amount equal to 5% of all net sales of products; and
- An amount equal to 30% of all sublicense receipts.

On March 30, 2006 and on May 23, 2006, we entered into an Amended Research and License Agreement and an Amendment Agreement to the Amended Research and License Agreement, respectively (collectively, the Amended Research and License Agreement) with Ramot. Under the Amended Research and License Agreement, the funding of further research relating to the licensed technology in an amount of $570,000 per year was reduced to $380,000 per year. Moreover, under the Amended Research and License Agreement, the initial period of time that we agreed to fund the research was extended from an initial period of two (2) years to an initial period of three (3) years. The Amended Research and License Agreement also extended the additional two-year period in the Original Ramot Agreement to an additional three-year period, if certain research milestones were met.

We entered into a Second Amended and Restated Research and License Agreement with Ramot on July 26, 2007, effective July 12, 2004 (the Second Ramot Agreement), which amended and replaced the Amended Research and License Agreement. The Second Ramot Agreement imposed on us development and commercialization obligations, milestone and other obligations. The license was granted in consideration for (i) royalty payments ranging from three percent (3%) to five percent (5%) of all net sales and (ii) potential payments concerning sublicenses ranging from twenty percent (20%) to twenty-five percent (25%) of sublicense receipts. In addition, in the event that the research period was extended for an additional three year period in accordance with the terms of the Second Ramot Agreement, then we had to make payments to Ramot for each year of the extended research period in the amount of $380,000. As of June 30, 2007, we owed Ramot an aggregate of $513,249 in overdue payments and patent fees under the Amended Research and License Agreement.

On August 1, 2007, we obtained a waiver and release from Ramot pursuant to which Ramot agreed to an amended payment schedule regarding our payment obligations under the Second Ramot Agreement and waived all claims against us resulting from our previous breaches, defaults and non-payment under the Amended Research and License Agreement.

As of February 2011, Ramot had sold the 1,120,000 shares of Common Stock of the Company for $235,000 and the Company paid the remaining approximately $5,000 due to Ramot. There is no additional debt to Ramot.

On December 20, 2011, we entered into an Assignment Agreement with our Israeli Subsidiary (the Assignment Agreement), with the consent of Ramot. Under the Assignment Agreement, we assigned and transferred all of our rights, interests, titles, liabilities and obligations (the Rights) under the Second Ramot Agreement to our Israeli Subsidiary, effective as of January 1, 2007 and our Israeli Subsidiary agreed to assume all such Rights. We agreed to be a guarantor of all obligations of our Israeli Subsidiary under the Second Ramot Agreement and Ramot can look to us to demand compliance with the Second Ramot Agreement.

In May 2012, we, the Israeli Subsidiary and Prof. Offen entered into a Consulting Agreement, effective as of January 1, 2012, which replaced the previous consulting agreement, dated July 31, 2004, pursuant to which all work product resulting from the provision of services will vest solely with the Israeli Subsidiary and if any work product resulting from the provision of services results in the creation or development of intellectual property it will be deemed a joint invention, and will be jointly owned by Ramot and the Israeli Subsidiary.

Investment Agreement with ACCBT Corp.

On July 2, 2007, we entered into a Subscription Agreement with ACCBT, a 23.8% stockholder and a company under the control of Mr. Chaim Lebovits, our President, pursuant to which we agreed to sell (i) up to 27,500,000 shares of our Common Stock for an aggregate subscription price of up to $5.0 million, and (ii) for no additional consideration, warrants to purchase up to 30,250,000 shares of our Common Stock. Subject to certain closing conditions, separate closings of the purchase and sale of the shares and the warrants were scheduled to take place from August 30, 2007 through November 15, 2008. The warrants originally had the following exercise prices: (i) warrants for the first 10,083,333 shares of our Common Stock had an exercise price of $0.20; (ii) warrants for the next 10,083,333 shares of our Common Stock had an exercise price of $0.29; and (iii) warrants for the final 10,083,334 shares of our Common Stock had an exercise price of $0.36. Each warrant issued pursuant to the Subscription Agreement was to expire on November 5, 2011.

Pursuant to the terms of the Subscription Agreement, as amended, and a related registration rights agreement, ACCBT has the following rights for so long as ACCBT or its affiliates hold at least 5% of our issued and outstanding share capital:

- Board Appointment Right : ACCBT has the right to appoint 50.1% (any fractions to be rounded up to the nearest whole number) of the members of our Board of Directors and any of our committees and the Board of Directors of our subsidiary.

- Preemptive Right : ACCBT has the right to receive thirty day notice of, and to purchase a pro rata portion (or greater under certain circumstances where offered shares are not purchased by other subscribers) of, securities issued by us, including options and rights to purchase shares. This preemptive right does not include issuances under our equity incentive plans.

- Consent Right : ACCBT's written consent is required for certain corporate actions, including issuance of shares (other than existing warrants and issuances under our incentive plans), amendment of our charter or bylaws, repurchase of shares, declaration or payment of dividends or distributions, related party transactions, non-ordinary course transactions involving $25,000 or more, liquidation or dissolution, the creation, acquisition or disposition of a subsidiary or entry into a joint venture or strategic alliance, a material change to our business, merger, change of control, sale of the Company, any acquisition, and any payment of cash compensation over $60,000 per year.

In addition, ACCBT is entitled to demand and piggyback registration rights, whereby ACCBT may request, upon 15 days' written notice, that we file, or include within a registration statement to be filed, with the Securities and Exchange Commission for ACCBT's resale of the Subscription Shares, as adjusted, and the shares of our Common Stock issuable upon exercise of the warrants.

On August 20, 2007, we received an aggregate of $1,000,000 from ACCBT, and, in connection therewith, ACCBT agreed to apply the principal amounts outstanding under a $250,000 convertible promissory note, dated as of May 6, 2007, issued to ACCBT by us towards the $5 million aggregate subscription price under the subscription agreement in exchange for shares of Common Stock (at which point the promissory note was cancelled). Accordingly, we issued to ACCBT an aggregate of 6,875,000 shares of Common Stock and a warrant to purchase an aggregate of 7,562,500 shares of Common Stock. In November 2007, we received an aggregate of $750,000 from ACCBT, and we issued to ACCBT an aggregate of 4,125,000 shares of Common Stock and a warrant to purchase an aggregate of 4,537,500 shares of Common Stock. On April 3, 2008, we closed a transaction where we received an aggregate of $750,000 from ACCBT and a permitted assignee, and we issued 2,125,000 shares of Common Stock to the permitted assignee, 2,000,000 shares of Common Stock to ACCBT and a warrant to purchase an aggregate of 4,537,500 shares of Common Stock to ACCBT. On September 8, 2008, we received an aggregate of $750,000 from ACCBT, and we issued to ACCBT an aggregate of 4,125,000 shares of Common Stock and a warrant to purchase an aggregate of 4,537,500 shares of Common Stock.

On August 18, 2009, we entered into an amendment to the Subscription Agreement (the Amendment), dated as of July 31, 2009, with ACCBT.

Under the terms of the Subscription Agreement, ACCBT was no longer obligated to invest any further amounts in the Company. Pursuant to the Amendment, ACCBT agreed to invest the remaining amount outstanding under the Subscription Agreement up to $5.0 million in the Company, and, in return, we agreed to amend the Subscription Agreement to, among other things: (i) decrease the purchase price per share of the up to 27,500,000 shares (the Subscription Shares) of our Common Stock that ACCBT previously purchased or will purchase pursuant to the terms of the Subscription Agreement, as amended, from $0.1818 to $0.12 (the Repricing); (ii) adjust the number of shares of Common Stock issuable under the Subscription Agreement in accordance with the Repricing; (iii) extend the expiration date of all warrants (as described below); (iv) amend the exercise price of certain of the warrants from $0.36 to $0.29; and (v) revise the investment schedule of the purchase and sale of the Subscription Shares. Pursuant to the Amendment, the Repricing retroactively applied to all Subscription Shares purchased by ACCBT prior to the Amendment.

Pursuant to the Amendment, ACCBT agreed to purchase the remainder of the Subscription Shares, as adjusted, at an aggregate purchase price of $947,347 at a price per share of $0.12 in monthly installments of not less than $50,000 (with the last payment in an amount up to the maximum subscription price of $5.0 million) at closings to be held monthly beginning on August 1, 2009.

As described above, pursuant to the terms of the Subscription Agreement, we originally agreed to sell to ACCBT the Subscription Shares for an aggregate subscription price of up to $5.0 million and, for no additional consideration, if ACCBT purchased the Subscription Shares, warrants to purchase up to 30,250,000 shares of Common Stock (the Warrants). As of July 31, 2009, ACCBT had purchased an aggregate of 18,306,925 shares of Common Stock for an aggregate purchase price of $4,052,652, and the following Warrants (the Issued Warrants) had been issued to ACCBT: (i) 10,083,333 Warrants with an exercise price of $0.20; (ii) 10,083,333 Warrants with an exercise price of $0.29; and (iii) 1,008,334 Warrants (the Last Warrant) with an exercise price of $0.36. Pursuant to the Amendment, the exercise price of the Last Warrant decreased from $0.36 to $0.29. Pursuant to the Amendment, the expiration date of all of the Warrants, including the Issued Warrants, was changed to November 5, 2013 instead of November 5, 2011.

Pursuant to the Amendment and in connection with ACCBT’s completion of the investment of up to $5.0 million, we issued to ACCBT the remainder of the Warrants.

In connection with the Repricing and the Amendment, we agreed to issue 9,916,667 shares of Common Stock to ACCBT for no additional consideration in order to retroactively apply the Repricing. On October 28, 2009, we issued the 9,916,667 shares of Common Stock to various designees of ACCBT, including 5,000,000 shares to Yosef Sternberg, a former 5% stockholder of the Company.

On May 10, 2012, we entered into a Warrant Amendment Agreement with ACCBT pursuant to which we agreed, upon the effectiveness of a six month lock-up agreement entered into by ACCBT in connection with an offering, the

then current expiration date of each Warrant was automatically extended by an additional 18 months (until May 5, 2015).

As of the date of this prospectus, ACCBT has purchased all of the Subscription Shares.

In sum, Warrants to purchase up to 30,250,000 shares of Common Stock were issued to ACCBT, of which 30,250,000 Warrants are presently outstanding. The outstanding Warrants contain cashless exercise provisions, which permit the cashless exercise of up to 50% of the underlying shares of Common Stock, and 10,083,333 of such Warrants have an exercise price of $0.20 and the remainder have an exercise price of $0.29.

On May 25, 2014, the Company entered into a Warrant Amendment Agreement (the Amendment) with ACCBT, pursuant to which the expiration date of each Warrant held by ACCBT was extended until November 5, 2017, in consideration of ACCBT having provided a series of waivers of their rights, including anti-dilution rights. Pursuant to the Amendment, the ACCBT Documents were amended to reflect the extension of the warrants' expiration date.

Agreement with Abraham Israeli

On April 13, 2010, the Company, Dr. Israeli, then a member of the Board of Directors, and Hadasit entered into an Agreement, which was amended to clarify certain terms on December 31, 2011, pursuant to which Dr. Israeli agreed, during the term of the Agreement, to serve as (i) our Clinical Trials Advisor and (ii) a member of our Board of Directors. Any party may terminate the Agreement upon 30 days' prior written notice to the other parties. In consideration of the services to be provided by Dr. Israeli to us under the Agreement, we agreed to grant options and warrants annually during the term of the Agreement for the purchase of our Common Stock, as follows:

- an option for the purchase of 166,666 shares of Common Stock at an exercise price equal to $0.00005 per share to Dr. Israeli; and

- warrants for the purchase of 33,334 shares of Common Stock at an exercise price equal to $0.00005 per share to Hadasit,

Such options will vest and become exercisable in twelve (12) consecutive equal monthly amounts.

In December 2013, the Board of the Company agreed to grant to Prof. Israeli additional options in connection with the yearly grant under the Hadasit Agreement.

The Hadasit Agreement was terminated effective April 25, 2014 when Dr. Israeli resigned from the Board of Directors. The Agreement provided terms for Prof. Israeli's service as the Company's Clinical Trials Advisor and a member of the Company's Board of Directors, both of which ceased on April 25, 2014. As a result of the termination of the Agreement, Prof. Israeli and Hadasit will no longer receive annual grants to purchase shares of Common Stock, and any outstanding and unvested grants made pursuant to the Agreement will cease to vest, and the grants shall be valid until and may be exercised only on or before October 25, 2014.

Agreement with Dr. Jonathan Javitt

On December 12, 2011, we entered into a Settlement Agreement with Dr. Jonathan Javitt, a former director of the Company, to settle certain disputed stock issuances. Under this agreement, we issued 350,000 shares of our common stock to Dr. Javitt to settle the disputed stock issuances. As part of this agreement, Dr. Javitt released the Company and related parties from all claims he may have had against the Company and its related parties.

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SELLING SECURITYHOLDERS

Below is information with respect to the beneficial ownership of our securities by the Selling Securityholders as of June 20, 2014. Except as described below, the Selling Securityholders do not have, or have had, any position, office or other material relationship with us or any of our affiliates beyond their investment in, or receipt of, our securities. Beneficial ownership has been determined in accordance with the rules of the SEC, and includes voting or investment power with respect to the securities. Our registration of these securities does not necessarily mean that the Selling Securityholders will sell any or all of the securities covered by this prospectus.

We are registering 42,000,000 shares of Common Stock and 42,000,000 shares of Common Stock underlying the Warrants, issued to the Selling Securityholders, in each case, for resale from time to time by the Selling Securityholders identified in this prospectus.

The information set forth in the following table regarding the beneficial ownership after resale of securities assumes that the Selling Securityholder will purchase the maximum number of shares of Common Stock provided for by the Warrants and will sell all of the shares of Common Stock owned by that Selling Securityholder covered by this prospectus. There is no assurance that any of the Warrants will be exercised.

	Securities Beneficially Owned Prior to the Offering		**Securities Offered Hereby**		**Securities Beneficially Owned After this Offering**	
Name	**Common Stock**	**Warrants**	**Common Stock**	**Common Stock underlying Warrants**	**Common Stock**	**Warrants**
AIGH Investment Partners LP	4,000,000	4,000,000	4,000,000	4,000,000	—	—
Dr. Joshua A. Hirsch	200,000	200,000	200,000	200,000	—	—
Perceptive Life Sciences Master Fund Ltd.	5,205,000	5,205,000	5,205,000	5,205,000	—	—
Titan Perc, Ltd.	795,000	795,000	795,000	795,000	—	—
HFR HE Sphera Global Healthcare Master Trust	252,000	252,000	252,000	252,000	—	—
Sphera Global Healthcare Master Fund	5,748,000	5,748,000	5,748,000	5,748,000	—	—
Sabby Healthcare Volatility Master Fund, Ltd.	12,000,000	12,000,000	12,000,000	12,000,000	—	—
Sabby Volatility Warrant Master Fund, Ltd.	10,000,000	10,000,000	10,000,000	10,000,000	—	—
Joann Mostovoy	1,000,000	1,000,000	1,000,000	1,000,000	—	—
Hewlett Fund	800,000	800,000	800,000	800,000	—	—

Brio Capital Master Fund Ltd.	2,000,000	2,000,000	2,000,000	2,000,000	—	—

LEGAL MATTERS

Validity of the securities offered by this prospectus will be passed upon for us by BRL Law Group LLC, Boston, Massachusetts. As of March 31, 2014, Thomas B. Rosedale, the Managing Member of BRL Law Group LLC, beneficially owned 545,042 shares of our Common Stock.

EXPERTS

The financial statements included in this Prospectus of the Company have been audited by Brightman Almagor Zohar & Co., a member of Deloitte Touche Tohmatsu, an independent registered public accounting firm, as stated in their report appearing herein (which report expresses an unqualified opinion on the financial statements and includes an explanatory paragraph regarding the Company's ability to continue as a going concern). Such financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports and other information with the SEC. These filings contain important information that does not appear in this prospectus. For further information about us, you may read and copy any reports, statements and other information filed by us at the SEC’s Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549-0102. You may obtain further information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our SEC filings are also available on the SEC Internet site at http://www.sec.gov, which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2013

U.S. DOLLARS IN THOUSANDS

(Except share data)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

BRAINSTORM CELL THERAPEUTICS Inc. (A Development Stage Company)

We have audited the accompanying consolidated balance sheet of BRAINSTORM CELL THERAPEUTICS Inc. and subsidiary (a development stage company) (the “Company”) as of December 31, 2013 and 2012, and the related consolidated statement of income, stockholders' deficiency, and cash flows for each of the two years in the period ended December 31, 2013 and for the period from April 1, 2004 to December 31, 2013. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on the financial statements based on our audits.

The financial statements for the period from April 1, 2004 through December 31, 2007, were audited by other auditors. The consolidated financial statements for the period from April 1, 2004 through December 31, 2007 included a net loss of $32,325,000. Our opinion on the consolidated statements of operations, changes in stockholders' deficiency and cash flows for the period from April 1, 2004 through December 31, 2013, insofar as it relates to amounts for prior periods through December 31, 2007, is based solely on the report of other auditors. The other auditors report dated April 13, 2008 expressed an unqualified opinion, and included an explanatory paragraph concerning an uncertainty about the Company's ability to continue as a going concern, and regarding the status of the Company research and development license agreement with Ramot.

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

In our opinion, based on our audits and the report of other auditor, such consolidated financial statements present fairly, in all material respects, the financial position of BRAINSTORM CELL THERAPEUTICS Inc. and subsidiary as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the two years in

the period ended December 31, 2013 and for the period from April 1, 2004 to December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company is a development stage enterprise engaged in development innovative stem cell therapeutic products based on technologies enabling the *in-vitro* differentiation of bone marrow stem cells into neural-like cells, based on the acquired technology and research to be conducted and funded by the Company as discussed in Note 1 to the financial statements. The Company's working capital deficiency and operating losses since inception through December 31, 2013 raise substantial doubts about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 1 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of' these uncertainties.

/s/ Brightman Almagor Zohar & Co.

Brightman Almagor Zohar & Co.

Certified Public Accountants

A Member Firm of Deloitte Touche Tohmatsu Limited

Tel Aviv, Israel

March 27, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of

BRAINSTORM CELL THERAPEUTICS INC.

(A development stage company)

We have audited the accompanying consolidated balance sheet of Brainstorm Cell Therapeutics Inc. (a development stage company) ("the Company") and its subsidiary as of December 31, 2007, and the related consolidated statements of operations, statements of changes in stockholders' equity (deficiency) and the consolidated statements of cash flows for the year ended December 31, 2007, for the nine months ended December 31, 2006 and 2005 and for the period from March 31, 2004 through December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiary as of December 31, 2007, and the consolidated results of their operations and cash flows for the year ended December 31, 2007, for the nine months ended December 31, 2006 and 2005 and for the period from March 31, 2004 through December 31, 2007, in conformity with U.S generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, in 2007, the Company adopted Financial Accounting Standard Board Statement No. 123(R), "Share-Based Payment".

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 1h, the Company has incurred operating losses and has a negative cash flow from operating activities and has a working capital deficiency. As for the Company research and development license agreement with Ramot, see Note 3. These conditions raise substantial doubt about the Company's ability to continue to operate as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

/s/ Kost Forer Gabbay & Kasierer
Tel-Aviv, Israel KOST FORER GABBAY & KASIERER
April 13, 2008 A Member of Ernst & Young Global

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

(Except share data)

	December 31,	
	2013	2012
	U.S. $ in thousands	
ASSETS		
Current Assets:		
Cash and cash equivalents	3,503	1,317
Short-term deposit	-	2,769
Account receivable (Note 5)	910	742
Prepaid expenses	33	46
Total current assets	4,446	4,874
Long-Term Assets:		
Prepaid expenses	22	17
Total long-term assets	22	17
Property And Equipment, Net (Note 6)	258	247
Total assets	4,726	5,138
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Trade payables	228	358
Accrued expenses	877	605
Other accounts payable	227	193
Total current liabilities	1,332	1,156
Long-Term Liabilities:		
Warrants issued to investors	655	-
Total long-term liabilities	655	-
Total liabilities	1,987	1,156

Stockholders' Equity:		
Stock capital: (Note 8)	8	7
Common stock $0.00005 par value - Authorized: 800,000,000 shares at December 31, 2013 and December 31, 2012; Issued and outstanding: 176,263,587 and 150,085,035 shares, respectively.		
Additional paid-in-capital	55,138	51,483
Deficit accumulated during the development stage	(52,407)	(47,508)
Total stockholders' equity	2,739	3,982
Total liabilities and stockholders' Equity	4,726	5,138

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands

(Except share data)

	Year ended December 31,		Period from September 22, 2000 (inception date) through December 31,
	2013	2012	2013(*)
	U.S. $ in thousands		
Operating costs and expenses:			
Research and development, net (Note 9)	2,917	1,770	29,106
General and administrative	2,101	1,748	20,852
Total operating costs and expenses	5,018	3,518	49,958
Financial expense (income), net	(144)	(93)	2,310
Other income	-	-	(132)
Operating loss	4,874	3,425	52,136
Taxes on income (Note 10)	25	5	107
Loss from continuing operations	4,899	3,430	52,243
Net loss from discontinued operations	-	-	164
Net loss	4,899	3,430	52,407
Basic and diluted net loss per share from continuing operations	0.03	0.02	-
Weighted average number of shares outstanding used in computing basic and diluted net loss per share	161,071,968	137,596,391	-

(*) Out of which, $163, relating to the period from inception to March 31 2004, is unaudited.

The accompanying notes are an integral part of the consolidated financial statements

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in capital	Deferred Stock - based compensation	Deficit accumulated during the development stage	Total stockholders' equity (deficiency)
	Number	Amount				
Balance as of September 22, 2000 (date of inception) (unaudited)	-	$ -	$ -	$ -	$ -	$ -
Stock issued on September 22, 2000 for cash at $0.00188 per share	8,500,000	1	16	-	-	17
Stock issued on June 30, 2001 for cash at $0.0375 per share	1,600,000	*	60	-	-	60
Contribution of capital	-	-	8	-	-	8
Net loss	-	-	-	-	(17)	(17)
Balance as of March 31, 2001 (unaudited)	10,100,000	$ 1	$ 84	$ -	$ (17)	$ 68
Contribution of capital	-	-	11	-	-	11
Net loss	-	-	-	-	(26)	(26)
Balance as of March 31, 2002 (unaudited)	10,100,000	$ 1	$ 95	$ -	$ (43)	$ 53
Contribution of capital	-	-	15	-	-	15
Net loss	-	-	-	-	(47)	(47)
Balance as of March 31, 2003 (unaudited)	10,100,000	$ 1	$ 110	$ -	$ (90)	$ 21
2-for-1 stock split	10,100,000	*	-	-	-	-
Stock issued on August 31, 2003 to purchase mineral option at $0.065 per share	100,000	*	6	-	-	6
Cancellation of shares granted to Company's President	(10,062,000)	*	*	-	-	-
Contribution of capital	-	*	15	-	-	15

Net loss	-	-	-	-	(73)	(73)
Balance as of March 31, 2004 (unaudited)	10,238,000	$ 1	$ 131	$ -	$ (163)	$ (31)

* Represents an amount less than $1.

The accompanying notes are an integral part of the consolidated financial statements

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in	Deferred Stock - based	Deficit accumulated during the development	Total stockholders' equity
	Number	Amount	capital	compensation	stage	(deficiency)
Balance as of March 31, 2004	10,238,000	$ 1	$ 131	$ -	$ (163)	$ (31)
Stock issued on June 24, 2004 for private placement at $0.01 per share, net of $25,000 issuance expenses	8,510,000	*	60	-	-	60
Contribution capital	-	-	7	-	-	7
Stock issued in 2004 for private placement at $0.75 per unit	1,894,808	*	1,418	-	-	1,418
Cancellation of shares granted to service providers	(1,800,000)	*		-	-	-
Deferred stock-based compensation related to options granted to employees	-	-	5,979	(5,979)	-	-
Amortization of deferred stock- based compensation related to shares and options granted to employees	-	-	-	584	-	584
Compensation related to shares and options granted to service providers	2,025,000	*	17,506	-	-	17,506
Net loss	-	-	-	-	(18,840)	(18,840)
Balance as of March 31, 2005	20,867,808	$ 1	$ 25,101	$ (5,395)	$ (19,003)	$ 704

* Represents an amount less than $1.

The accompanying notes are an integral part of the consolidated financial statements

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

STATEMENTS OF CHANGES IN STOCKHOLDER' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in	Deferred Stock - based	Deficit accumulated during the development	Total stockholders' equity
	Number	Amount	capital	compensation	stage	(deficiency)
Balance as of March 31, 2005	20,867,808	$ 1	$ 25,101	$ (5,395)	$ (19,003)	$ 704
Stock issued on May 12, 2005 for private placement at $0.80 per share	186,875	*	149	-	-	149
Stock issued on July 27, 2005 for private placement at $0.60 per share	165,000	*	99	-	-	99
Stock issued on September 30, 2005 for private placement at $0.80 per share	312,500	*	225	-	-	225
Stock issued on December 7, 2005 for private placement at $0.80 per share	187,500	*	135	-	-	135
Forfeiture of options granted to employees	-	-	(3,363)	3,363	-	-
Deferred stock-based compensation related to shares and options granted to directors and employees	200,000	*	486	(486)	-	-
Amortization of deferred stock- based compensation related to options and shares granted to employees and directors	-	-	51	1,123	-	1,174
Stock-based compensation related to options and shares granted to service providers	934,904	*	662	-	-	662
Reclassification due to application of ASC 815-40-25 (formerly EITF 00-19)	-	-	(7,906)			(7,906)
Beneficial conversion feature related to a convertible bridge loan	-	-	164	-	-	164
Net loss	-	-	-	-	(3,317)	(3,317)
Balance as of March 31, 2006	22,854,587	$ 1	$ 15,803	$ (1,395)	$ (22,320)	$ (7,911)

* Represents an amount less than $1.

The accompanying notes are an integral part of the consolidated financial statements

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in	Deferred Stock - based	Deficit accumulated during the development	Total stockholders' equity
	Number	Amount	capital	compensation	stage	(deficiency)
Balance as of March 31, 2006	22,854,587	$ 1	$ 15,803	$ (1,395)	$ (22,320)	$ (7,911)
Elimination of deferred stock compensation due to implementation of ASC 718-10 (formerly SFAS 123(R))	-	-	(1,395)	1,395	-	-
Stock-based compensation related to shares and options granted to directors and employees	200,000	*	1,168	-	-	1,168
Reclassification due to application of ASC 815-40-25 (formerly EITF 00-19)	-	-	7,191	-	-	7,191
Stock-based compensation related to options and shares granted to service providers	1,147,225	-	453	-	-	453
Warrants issued to convertible note holder	-	-	11	-	-	11
Warrants issued to loan holder	-	-	110	-	-	110
Beneficial conversion feature related to convertible bridge loans	-	-	1,086	-	-	1,086
Net loss	-	-	-	-	(3,924)	(3,924)
Balance as of December 31, 2006	24,201,812	$ 1	$ 24,427	$ -	$ (26,244)	$ (1,816)

* Represents an amount less than $1.

The accompanying notes are an integral part of the consolidated financial statements

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BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in	Deferred Stock - based	Deficit accumulated during the development	Total stockholders' equity
	Number	Amount	capital	compensation	stage	(deficiency)
Balance as of December 31, 2006	24,201,812	$ 1	$ 24,427	$ -	$ (26,244)	$ (1,816)
Stock-based compensation related to options and shares granted to service providers	544,095		1,446	-	-	1,446
Warrants issued to convertible note holder	-	-	109	-	-	109
Stock-based compensation related to shares and options granted to directors and employees	200,000	*	1,232	-	-	1,232
Beneficial conversion feature related to convertible loans	-	-	407	-	-	407
Conversion of convertible loans	725,881	*	224	-	-	224
Exercise of warrants	3,832,621	*	214	-	-	214
Stock issued for private placement at $0.1818 per unit, net of finder's fee	11,500,000	1	1,999	-	-	2,000
Net loss	-	-	-	-	(6,244)	(6,244)
Balance as of December 31, 2007	41,004,409	$ 2	$ 30,058	$ -	$ (32,488)	$ (2,428)

* Represents an amount less than $1.

The accompanying notes are an integral part of the consolidated financial statements

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BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in	Deferred Stock - based	Deficit accumulated during the development	Total stockholders' equity
	Number	Amount	capital	compensation	stage	(deficiency)
Balance as of December 31, 2007	41,004,409	$ 2	$ 30,058	$ -	$ (32,488)	$ (2,428)
Stock-based compensation related to options and stock granted to service providers	90,000	-	33	-	-	33
Stock-based compensation related to stock and options granted to directors and employees	-	-	731	-	-	731
Conversion of convertible loans	3,644,610	*	1,276	-	-	1,276
Exercise of warrants	1,860,000	*	-	-	-	-
Exercise of options	17,399	*	3	-	-	3
Stock issued for private placement at $0.1818 per unit, net of finder's fee	8,625,000	1	1,499	-	-	1,500
Subscription of shares for private placement at $0.1818 per unit	-	-	281	-	-	281
Net loss	-	-	-	-	(3,472)	(3,472)
Balance as of December 31, 2008	55,241,418	$ 3	$ 33,881	$ -	$ (35,960)	$ (2,076)

* Represents an amount less than $1.

The accompanying notes are an integral part of the consolidated financial statements

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BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in	Deferred Stock - based	Deficit accumulated during the development	Total stockholders' equity
	Number	Amount	capital	compensation	stage	(deficiency)
Balance as of December 31, 2008	55,241,418	$ 3	$ 33,881	$ -	$ (35,960)	$ (2,076)
Stock-based compensation related to options and stock granted to service providers	5,284,284	*	775	-		775
Stock-based compensation related to stock and options granted to directors and employees	-	-	409	-		409
Conversion of convertible loans	2,500,000	*	200	-		200
Exercise of warrants	3,366,783	*	-	-		-
Stock issued for amendment of private placement	9,916,667	1	-	-		1
Subscription of shares	-	-	729	-		729
Net loss	-	-	-	-	(1,781)	(1,781)
Balance as of December 31, 2009	76,309,152	$ 4	$ 35,994	$ -	$ (37,741)	$ (1,743)

* Represents an amount less than $1.

The accompanying notes are an integral part of the consolidated financial statements

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BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in	Deferred Stock - based	Deficit accumulated during the development	Total stockholders' equity
	Number	Amount	capital	compensation	stage	(deficiency)
Balance as of December 31, 2009	76,309,152	$ 4	$ 35,994	$ -	$ (37,741)	$ (1,743)
Stock-based compensation related to options and stock granted to service providers	443,333	*	96	-	-	96
Stock-based compensation related to stock and options granted to directors and employees	466,667	*	388	-	-	388
Stock issued for amendment of private placement	7,250,000	1	1,750	-	-	1,751
Conversion of convertible note	402,385	*	135	-	-	135
Conversion of convertible loans	1,016,109	*	189	-	-	189
Issuance of shares	2,475,000		400			400
Exercise of options	1,540,885	*	77	-	-	77
Exercise of warrants	3,929,446	*	11	-	-	11
Subscription of shares for private placement at $0.12 per unit			455	-	-	455
Conversion of trade payable to stock			201			201
Issuance of shares on account of previously subscribed shares	2,000,001	*	-	-	-	-
Net loss					(2,419)	(2,419)
Balance as of December 31, 2010	95,832,978	$ 5	$ 39,696	$ -	$ (40,160)	$ (459)

* Represents an amount less than $1.

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in	Deferred Stock - based	Deficit accumulated during the development	Total stockholders' equity
	Number	Amount	capital	compensation	stage	(deficiency)
Balance as of December 31, 2010	95,832,978	$ 5	$ 39,696	$ -	$ (40,160)	$ (459)
Stock-based compensation related to options and stock granted to service providers	474,203	-	449	-	-	449
Stock-based compensation related to stock and options granted to directors and employees	2,025,040	-	1,135	-	-	1,135
Conversion of convertible note	755,594	-	140	-	-	140
Exercise of options	1,648,728	-	243	-	-	243
Exercise of warrants	1,046,834	-	272	-	-	272
Issuance of shares for private placement	14,160,933	1	3,601	-	-	3,602
Issuance of shares on account of previously subscribed shares	10,499,999	-	24	-	-	24
Net loss	-	-	-	-	(3,918)	(3,918)
Balance as of December 31, 2011	126,444,309	$ 6	$ 45,560	$ -	$ (44,078)	$ 1,488

* Represents an amount less than $1.

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in	Deferred Stock - based	Deficit accumulated during the development	Total stockholders'
	Number	Amount	capital	compensation	stage	equity
Balance as of December 31, 2011	126,444,309	$ 6	$ 45,560	$ -	$ (44,078)	$ 1,488
Stock-based compensation related to options and stock granted to service providers	794,423		195	-	-	195
Stock-based compensation related to stock and options granted to directors and employees	885,000		560	-	-	560
Exercise of options	1,182,606	(*)	137	-	-	137
Exercise of warrants	959,729	(*)	9	-	-	9
Issuance of shares for private placement	19,818,968	1	5,022		-	5,023
Net loss	-	-	-	-	(3,430)	(3,430)
Balance as of December 31, 2012	150,085,035	$ 7	$ 51,483	$ -	$ (47,508)	$ 3,982

* Represents an amount less than $1.

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in	Deferred Stock - based	Deficit accumulated during the development	Total stockholders'
	Number	Amount	capital	compensation	stage	equity
Balance as of December 31, 2012	150,085,035	$ 7	$ 51,483	$ -	$ (47,508)	$ 3,982
Stock-based compensation related to options and stock granted to service providers	809,696		197	-	-	197
Stock-based compensation related to stock and options granted to directors and employees	760,000		674	-	-	674
Issuance of shares for public offering	23,529,411	1	2,496	-	-	2,497
Issuance of shares for private placement	833,334	(*)	250	-	-	250
Conversion of convertible loans	126,111	-	30	-	-	30
Exercise of options	120,000	(*)	8	-	-	8
Net loss	-	-	-	-	(4,899)	(4,899)
Balance as of December 31, 2013	176,263,587	$ 8	$ 55,138	-	$ (52,407)	$ 2,739

* Represents an amount less than $1.

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		Period from September 22, 2000 (inception date) through December 31,
	2013	2012	2013*)
	U.S. $ in thousands		
Cash flows from operating activities:			
Net loss	$(4,899)	$(3,430)	$ (52,407)
Less - loss for the period from discontinued operations	-	-	164
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization of deferred charges	97	157	1,255
Accrued interest on loans	-	-	451
Amortization of discount on short-term loans	-	-	1,864
Change in fair value of options and warrants	-	-	(795)
Expenses related to shares and options granted to service providers	227	195	21,908
Stock-based compensation related to options granted to employees	674	560	8,055
Increase in accounts receivable and prepaid expenses	(155)	(426)	(943)
Increase (decrease) in trade payables and convertible note	(130)	114	701
Increase (decrease) in other accounts payable and accrued expenses	306	(105)	1,610
Revaluation of warrants	(174)	-	(174)
Erosion of restricted cash	-	-	(6)
Net cash used in continuing operating activities	(4,054)	(2,935)	(18,317)
Net cash used in discontinued operating activities	-	-	(23)
Total net cash used in operating activities	(4,054)	(2,935)	(18,340)
Cash flows from investing activities:			
Purchase of property and equipment	(108)	(90)	(1,331)
Restricted cash	-	-	6
Changes in short-term deposit	2,769	(2,750)	-
Investment in lease deposit	(5)	-	(22)
Net cash provided by (used in) continuing investing activities	2,656	(2,840)	(1,347)
Net cash used in discontinued investing activities	-	-	(16)
Total net cash provided by (used in) investing activities	2,656	(2,840)	(1,363)

Cash flows from financing activities:			
Proceeds from issuance of Common stock and warrants, net	3,576	5,023	20,918
Proceeds from loans, notes and issuance of warrants, net	-		2,061
Proceeds from exercise of warrants and options	8	146	785
Repayment of short-term loans	-	-	(601)
Net cash provided by continuing financing activities	3,584	5,169	23,163
Net cash provided by discontinued financing activities	-	-	43
Total net cash provided by financing activities	3,584	5,169	23,206
Increase (decrease) in cash and cash equivalents	2,186	(606)	3,503
Cash and cash equivalents at the beginning of the period	1,317	1,923	-
Cash and cash equivalents at end of the period	$3,503	$1,317	$ 3,503

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

NOTE 1 - GENERAL:

A. Brainstorm Cell Therapeutics Inc. (formerly: Golden Hand Resources Inc. - the "Company") was incorporated in the State of Washington on September 22, 2000.

B. On May 21, 2004, the former major stockholders of the Company entered into a purchase agreement with a group of private investors, who purchased from the former major stockholders 6,880,000 shares of the then issued and outstanding 10,238,000 shares of Common Stock.

C. On July 8, 2004, the Company entered into a licensing agreement with Ramot of Tel Aviv University Ltd. ("Ramot"), to acquire certain stem cell technology (see Note 3). Subsequent to this agreement, the Company decided to focus on the development of novel cell therapies for neurodegenerative diseases based on the acquired technology and research to be conducted and funded by the Company.

Following the licensing agreement dated July 8, 2004, the management of the Company decided to abandon all old activities related to the sale of the digital data recorder product. The discontinuation of this activity was accounted for under the provision of Statement of Financial Accounting Standard ASC 360-10, "Accounting for the Impairment or Disposal of Long-Lived Assets".

D. On October 25, 2004, the Company formed a wholly-owned subsidiary in Israel, Brainstorm Cell Therapeutics Ltd. ("BCT").

E. On November 22, 2004, the Company changed its name from Golden Hand Resources Inc. to Brainstorm Cell Therapeutics Inc. to better reflect its new line of business in the development of novel cell therapies for neurodegenerative diseases. BCT owns all operational property and equipment.

The Common Stock is registered and publicly traded on the OTC Markets Group service of the National Association of Securities Dealers, Inc. under the symbol BCLI.

F. On September 17, 2006, the Company changed the Company's fiscal year-end from March 31 to December 31.

G. In December 2006, the Company changed its state of incorporation from Washington to Delaware.

H. Since its inception, the Company has devoted substantially all of its efforts to research and development, recruiting management and technical staff, acquiring assets and raising capital. In addition, the Company has not generated revenues.

Accordingly, the Company is considered to be in the development stage, as defined in "Accounting and reporting by development Stage Enterprises" ASC 915-10.

I. In October 2010, the Israeli Ministry of Health (“MOH”) granted clearance for a Phase I/II clinical trial using the Company’s autologous NurOwn™ stem cell therapy in patients with amyotrophic lateral sclerosis (**“**ALS”), subject to some additional process specifications as well as completion of the sterility validation study for tests performed.

On February 23, 2011, the Company submitted, to the MOH, all the required documents. Following approval of the MOH, a Phase I/II clinical study for ALS patients using the Company’s autologous NurOwn™ stem cell therapy (the “Clinical Trial”) was initiated in June 2011.

J. In February 2011, the U.S. Food and Drug Administration (“FDA”) granted orphan drug designation to the Company’s NurOwn™ autologous adult stem cell product for the treatment of ALS.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

NOTE 1 - GENERAL (Cont.):

K. On February 19, 2013, Brainstorm Ltd established a wholly-owned subsidiary, Brainstorm Cell Therapeutics UK Ltd. ("Brainstorm UK"). Brainstorm UK will act on behalf of the parent Company in the EU.

L. On February 21, 2013, Brainstorm UK filed a request for Orphan Medicinal Product Designation by the European Medicine Agency (EMA) for its Autologous Bone Marrow derived Mesenchymal Stromal cells Secreting Neurotropic factors (MSC-NTF, NurOwn).

M. On April 8, 2013, the Company entered into an agreement with Dana-Farber Cancer Institute ("Dana-Farber") to provide cGMP-compliant clean room facilities for production of the Company's NurOwn™ stem cell candidate during its upcoming Phase II ALS trial in the United States. The Company's Phase II trial, will be conducted at Massachusetts General Hospital ("MGH"), the University of Massachusetts ("UMass") Hospital and the Mayo Clinic. The Connell and O'Reilly Cell Manipulation Core Facility at Dana-Farber will produce NurOwn for the MGH and UMass Hospital clinical sites.

N. On April 18, 2013, the stockholders of the Company authorized the Board of Directors of the Company, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Company's Certificate of Incorporation to effect a reverse stock split of the Company's issued and outstanding shares of common stock by a ratio of between 1-for-10 and 1-for-20, inclusive, without further approval or authorization of the Company's stockholders. As of December 31, 2013 a reverse stock split of the Company's shares wasn't performed.

O. On July 17, 2013, the European Commission granted Orphan Drug Designation to the Company's NurOwn autologous adult stem cell product for the treatment of ALS.

P. On September 27, 2013, the Company announced that it recently completed treatment of the 12 patients in its ALS Phase IIa dose-escalating clinical trial with the Company's NurOwn™ technology. The Company was informed that one patient in the study expired due to a medical condition unrelated to the Clinical Trial.

The Clinical Trial is being performed at Hadassah Medical Center in Jerusalem, Israel, under the direction of Prof. Dimitrios Karussis, M.D., Ph.D., head of Hadassah's Multiple Sclerosis Center and a member of the International Steering Committees for Bone Marrow and Mesenchymal Stem Cells Transplantation in Multiple Sclerosis (MS). The study is designed to establish the safety and preliminary efficacy of NurOwn at increasing dosages.

Q. In November 2013, the Company signed a definitive agreement with the Mayo Clinic in Rochester, Minnesota to conduct its Phase II clinical trial of NurOwn™ in amyotrophic lateral sclerosis (ALS), pending FDA approval. In addition, Mayo's Human Cell Therapy Laboratory will manufacture the NurOwn cells for their clinical trial participants.

R. On December 4, 2013, a Notice of Intention to Grant from the European Patent Office (EPO) was issued for the Company's patent application entitled "Isolated Cells and Populations Comprising Same for the Treatment of CNS Diseases" (European serial number EP06766101.7) . This patent relates to the production method for the company's proprietary stem cells induced to secrete large quantities of neurotrophic factors for the treatment of neurodegenerative diseases.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

NOTE 1 - GENERAL (Cont.):

S. On December 9, 2013, a Notice of Allowance was issued from the U.S. Patent Office for the same patent application as above, U.S. serial number 11/727,583.

T. In March 2014, the Company signed a definitive agreement with the Massachusetts General Hospital (MGH) in Boston, MA to conduct a Phase II clinical trial of NurOwn™ in amyotrophic lateral sclerosis (ALS), pending FDA approval.

GOING CONCERN:

As reflected in the accompanying financial statements, the Company's operations for the year ended December 31, 2013, resulted in a net loss of $5,073. The Company's balance sheet reflects an accumulated deficit of $52,581. These conditions, together with the fact that the Company is a development stage Company and has no revenues nor are revenues expected in the near future, raise substantial doubt about the Company's ability to continue to operate as a going concern. The Company's ability to continue operating as a "going concern" is dependent on several factors, among them is its ability to raise sufficient additional working capital.

In 2009, the Company decided to focus only on the effort to commence clinical trials for ALS and such trials did commence in 2011.

In July 2012, the Company raised $5.7 million, gross, in a public offering (See Note 8B 1 (i)). In August 2013, the Company raised $4 million, gross, in a public offering (See Note 8B 1 (j)). However, there can be no assurance that additional funds will be available on terms acceptable to the Company, or at all.

These financial statements do not include any adjustments relating to the recoverability and classification of assets, carrying amounts or the amount and classification of liabilities that may be required should the Company be unable to continue as a going concern.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation:

The consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (“GAAP”) applied on a consistent basis.

B. Use of estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

C. Financial statement in U.S. dollars:

The functional currency of the Company is the U.S dollar ("dollar") since the dollar is the currency of the primary economic environment in which the Company has operated and expects to continue to operate in the foreseeable future. Part of the transactions of BCT is recorded in new Israeli shekels ("NIS"); however, a substantial portion of BCT’s costs are incurred in dollars or linked to the dollar. Accordingly, management has designated the dollar as the currency of BCT’s primary economic environment and thus it is their functional and reporting currency.

Transactions and balances denominated in dollars are presented at their original amounts. Non-dollar transactions and balances have been re-measured to dollars in accordance with the provisions of ASC 830-10 (formerly Statement of Financial Accounting Standard 52), "Foreign Currency Translation". All transaction gains and losses from re-measurement of monetary balance sheet items denominated in non-dollar currencies are reflected in the statement of operations as financial income or expenses, as appropriate.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.):

D. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, BCT and Brainstorm UK**.** Intercompany balances and transactions have been eliminated upon consolidation.

E. Cash and cash equivalents:

Cash equivalents are short-term highly liquid investments that are readily convertible to cash with maturities of three months or less as of the date acquired.

F. Property and equipment:

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets.

The annual depreciation rates are as follows:

	%
Office furniture and equipment	7

Computer software and electronic equipment	33
Laboratory equipment	15
Leasehold improvements	Over the shorter of the lease term (including the option) or useful life

G. Impairment of long-lived assets:

The Company's and BCT's long-lived assets are reviewed for impairment in accordance with ASC 360-10 (formerly Statement of Financial Accounting Standard 144), "Accounting for the Impairment or Disposal of Long-Lived Assets," whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. During 2012 and 2013, no impairment losses were identified.

H. Accrued post-employment benefit:

The majority of the Company's employees in Israel have agreed to Section 14 of Israel's Severance Pay Law, 5723-1963 ("Section 14"). Pursuant to Section 14, those of the Company's employees that are covered by this section are entitled only to an amount of severance pay equal to monthly deposits, at a rate of 8.33% of their monthly salary, made on their behalf by the Company. Payments in accordance with Section 14 release the Company from any future severance liabilities in respect of those employees. Neither severance pay liability nor severance pay funds under Section 14 for such employees is recorded on the Company's balance sheet.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.):

I. Fair value of financial instruments:

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

The Company utilized the Black Scholes Merton formula to measure the fair value of the warrants issued in the 2013 public offering (refer to note B.1.(J)). The assumptions included in the Black-Scholes model were: (i) the market price of the Company's shares; (ii) the exercise price of the warrant; (iii) risk-free interest; (iv) term available to exercise or redeem the security and (v) the volatility of the share during the relevant term. The Company determines the volatility of its share using daily historical quotes of the share. The risk free interest rate is determined as the interest rate on governmental bonds with maturity commensurate with the term of the warrant.

J. Accounting for stock-based compensation:

Effective April 1, 2006, the Company adopted ASC 718-10 (formerly Statement of Financial Accounting Standards 123 (Revised 2004)), "Share-Based Payment," which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options under the Company's stock plans based on estimated fair values. ASC 718-10 supersedes the Company's previous accounting under Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees" ("APB 25"). In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin 107 ("SAB 107") relating to ASC 718-10. The Company has applied the provisions of SAB 107 in its adoption of ASC 718-10.

ASC 718-10 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as

expense over the requisite service periods in the Company's consolidated statement of operations.

The Company recognizes compensation expense for the value of non-employee awards, which have graded vesting, based on the accelerated attribution method over the requisite service period of each award, net of estimated forfeitures.

The Company recognizes compensation expense for the value of employee awards that have graded vesting, based on the straight-line method over the requisite service period of each of the awards, net of estimated forfeitures.

J. Accounting for stock-based compensation (Cont.):

The Company estimates the fair value of restricted shares based on the market price of the shares at the grant date and estimates the fair value of stock options granted using a Black-Scholes options pricing model. The option-pricing model requires a number of assumptions, of which the most significant are, expected stock price volatility and the expected option term (the time from the grant date until the options are exercised or expire). Expected volatility was calculated based upon actual historical stock price movements over the period, equal to the expected option term. The expected option term was calculated for options granted to employees and directors in accordance with SAB 107 and SAB 110, using the "simplified" method. Grants to non-employees are based on the contractual term. The Company has historically not paid dividends and has no foreseeable plans to issue dividends. The risk-free interest rate is based on the yield from U.S. Treasury zero-coupon bonds with an equivalent term.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.):

K. Basic and diluted net loss per share:

Basic net loss per share is computed based on the weighted average number of shares outstanding during each year. Diluted net loss per share is computed based on the weighted average number of shares outstanding during each year, plus the dilutive potential of the Common Stock considered outstanding during the year, in accordance with ASC 260-10 (formerly Statement of Financial Accounting Standard 128), "Earnings per Share".

All outstanding stock options and warrants have been excluded from the calculation of the diluted loss per share for the year ended December 31, 2013 and December 31, 2012, since all such securities have an anti-dilutive effect.

L. Research and development expenses, net:

Research and development expenses, are charged to the statement of operations as incurred.

Royalty-bearing grants from the Government of Israel for funding approved research and development projects are recognized at the time the Company is entitled to such grants, on the basis of the costs incurred and applied as a deduction from research and development expenses. Such grants are included as a deduction of research and development costs since at the time received it is not probable the Company will generate sales from these projects and pay the royalties resulting from such sales.

M. Income taxes:

The Company and BCT account for income taxes in accordance with ASC 740-10 (formerly Statement of Financial Accounting Standard 109), "Accounting for Income Taxes." This Statement requires the use of the liability method of accounting for income taxes, whereby deferred tax asset and liability account balances are determined based on the differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company and BCT provide a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value.

In September 2006, the Financial Accounting Standards Board ("FASB") issued ASC 740-10 (formerly FASB interpretation ("FIN") 48), "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement 109". ASC 740-10 establishes a single model to address accounting for uncertain tax positions. ASC 740-10 clarified the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. ASC 740-10 also provides guidance on recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption of the provisions of ASC 740-10 did not have an impact on the Company's consolidated financial position and results of operations.

NOTE 3 - RESEARCH AND LICENSE AGREEMENT

The Company has a Research and License Agreement, as amended and restated, with Ramot. The Company obtained a waiver and release from Ramot pursuant to which Ramot agreed to an amended payment schedule regarding the Company's payment obligations under the Research and License Agreement and waived all claims against the Company resulting from the Company's previous defaults and non-payment under the Research and License Agreement. The waiver and release amended and restated the original payment schedule under the original agreement providing for payments during the initial research period and additional payments for any extended research period.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

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

The Company is to pay Ramot royalties on Net Sales on a Licensed Product by Licensed Product and jurisdiction by jurisdiction basis as follow:

a) So long as the making, producing, manufacturing, using, marketing, selling, importing or exporting of such Licensed Product is covered by a Valid Claim or is covered by Orphan Drug Status in such jurisdiction – 5% of all Net Sales.

b) In the event the making, producing, manufacturing, using, marketing, selling, importing or exporting of such Licensed Product is not covered by a Valid Claim and not covered by Orphan Drug status in such jurisdiction – 3% of all Net Sales until the expiration of 15 years from the date of the First Commercial Sale of such Licensed Product in such jurisdiction.

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"), under which the Consultants 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. As of September 2010, all the above warrants had been exercised. In June 2012 an amendment was signed with Dr. Daniel Offen, according to which the company will pay Daniel Offen a monthly payment of $6, out of which $3 in cash and $3 by grant of Company stock.

B.

On December 16, 2010, the Company approved a grant of 1,100,000 shares of the Company's Common Stock to the two Consultants, for services rendered through December 31, 2010. Related compensation in the amount of $220 was recorded as research and development expense. A sum of $487 was cancelled concurrently with the issuance of the 1,100,000 shares of Common Stock of the Company.

C. On June 27, 2011, the Company approved an additional grant of 400,000 shares of the Company's Common Stock to Prof. Daniel Offen, for services rendered through December 31, 2009. Related compensation in the amount of $192 is recorded as research and development expense.

D. On August 1, 2012, the Company approved an additional grant of 623,077 shares of the Company's Common Stock to the Consultants, for services rendered during January 1, 2011 through June 30, 2012. Related compensation in the amount of $162 was recorded as research and development expense.

E. On January 16, 2013, the Company granted the Consultants an aggregate of 216,000 shares of Common Stock for their services from January 1, 2012 through December 31, 2012. Related compensation in the amount of $54 was recorded as research and development expense.

F. On November 13, 2013, the Company approved a grant of 450,000 shares of the Company's Common Stock to the Consultants, for services rendered during January 1, 2013 through September 30, 2013.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

NOTE 5 - ACCOUNTS RECEIVABLE

	December 31,	
	2013	2012
	U.S. $ in thousands	
Government institutions	60	108
Grants receivable from the CSO	850	634
	910	742

NOTE 6 - PROPERTY AND EQUIPMENT

	December 31,	
	2013	2012
	U.S. $ in thousands	
Cost:		
Office furniture and equipment	18	9
Computer software and electronic equipment	149	120
Laboratory equipment	482	437
Leasehold improvements	716	690
	1,365	1,256
Accumulated depreciation:		
Office furniture and equipment	5	4
Computer software and electronic equipment	116	106
Laboratory equipment	350	306
Leasehold improvements	636	593
	1,107	1,009
Depreciated cost	258	247

Depreciation expenses for the year ended December 31, 2013 and December 31, 2012 were $97, and $157, respectively.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

A. On November, 2012, BCT entered into an amended lease agreement for the lease of its facilities. The term of the lease is 60 months, with an option to terminate the agreement with 6 month pre-notice, after 36 months. Rent is paid on a monthly basis in the amount of NIS 40,000 (approximately $11) per month.

The facilities and vehicles of the Company and BCT are rented under operating leases that expire on various dates. Aggregate minimum rental commitments under non-cancelable leases as of December 31, 2013 are as follows:

Period ending December 31, 2013	Facilities	Vehicles	Total
2014	121	5	126
2015	121	-	121
2016	90	-	90
	332	5	337

Total facilities rent expenses for the year ended December 31, 2013 and 2012 were $129 and $106, respectively.

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Notes to the financial statements

U.S. dollars in thousands

NOTE 7 - COMMITMENTS AND CONTINGENCIES (Cont.):

B. Commitments to pay royalties to the Chief Scientist:

BCT obtained from the Chief Scientist of the State of Israel grants for participation in research and development for the years 2007 through 2013, and, in return, BCT is obligated to pay royalties amounting to 3%-3.5% 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 the year ended December 31, 2013, total grants obtained amounted to $942**.** After balance sheet date 2014 the Company received approximately $380.

C. On February 17, 2010, BCT entered into an agreement with Hadasit Medical Research Services and Development Ltd ("Hadasit") to conduct clinical trials in ALS patients. The agreement was revised in June 2011 according to which, in connection with the trials BCT will pay Hadasit $32 per patient totaling up to $773, as well as $65 per month for rental and operation of two clean rooms. The Company has the right to cease the rental of the clean rooms at any time upon 30 days prior notice.

D. In April 2008, Chapman, Spira & Carson, LLC (“CSC”) filed a breach of contract complaint in the Supreme Court of the State of New York (the “Court”) against the Company. The complaint alleges that the Company improperly terminated its contract with CSC. The complaint seeks, among other things, the following relief: (i) 400,000 shares of the common stock of the Company and (ii) warrants to purchase 250,000 shares of the common stock of the Company at an exercise price of $0.30 per share. Further, the complaint alleges that CSC performed its obligations under the contract and has suffered compensatory damages in an amount up to approximately $672. CSC also seeks costs and attorneys’ fees.

On October 24, 2012, the Company reached an understanding with CSC according to which the Company paid CSC $125 in full satisfaction of CSC's claims against the Company.

NOTE 8 - 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 OTC Markets Group service of the National Association of Securities Dealers, Inc. under the symbol BCLI.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

NOTE 8 - STOCK CAPITAL (Cont.):

B. Issuance of shares warrants and options:

1. Private placements and public offering:

(a) During 2004 and 2005 the Company issued, in separate transactions, 8,861,875 shares of Common Stock of the Company for total proceeds of $308

(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 consisted 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. All warrants are no longer valid.

(c) On August 11, 2005, the Company signed a private placement agreement with investors for the sale of up to 1,250,000 units at a price of $0.80 per unit. Each unit consisted of one share of Common Stock and one warrant to purchase one share of Common Stock at $1.00 per share. The warrants were 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. All warrants are no longer valid.

(d) In July 2007, the Company entered into an investment agreement, that was amended in August 2009, according to which for an aggregate subscription price of up to $5 million, the Company issued 41,666,667 shares of Common Stock and a warrant to purchase 10,083,333 shares of the Company's common stock at an exercise price of $0.20 per share and a warrant to purchase 20,166,667 shares of common stock at an exercise price of $0.29 per share. The warrants may be exercised at any time and expire on November 5, 2013. . In May 2012 the warrants were extended by additional 18 months, through May 5, 2015.

In January 2011, the Company and an investor signed an agreement to balance the remaining amount due to the investor, totaling $20, against the remaining balance of the investment and the Company issued the above shares and warrants.

In addition, the Company issued an aggregate of 1,250,000 shares of Common Stock to a related party as an introduction fee for the investment. As of balance sheet date no warrants have been exercised.

(e) In January 2010, the Company issued 1,250,000 units to a private investor for total proceeds of $250. Each unit consisted of one share of Common Stock and a two-year warrant to purchase one share of Common Stock at $0.50 per share. All warrants are no longer valid.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

NOTE 8 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.):

1. Private placements and public offering: (Cont.):

(f) In February 2010, the Company issued 6,000,000 shares of Common Stock to three investors (2,000,000 to each investor) and warrants to purchase an aggregate of 3,000,000 shares of Common Stock (1,000,000 to each investor) with an exercise price of $0.50 for aggregate proceeds of $1,500 ($500 each).

(g) In February 2011, the Company issued 833,333 shares of Common Stock, at a price of $0.30 per share, and a warrant to purchase 641,026 shares of the Company's Common Stock at an exercise price of $0.39 per share exercisable for one year for total proceeds of $250. The warrants are no longer valid.

(h) On February 23, 2011, the Company entered into an investment agreement, pursuant to which the Company agreed to sell up to 12,815,000 shares of Common Stock, for an aggregate subscription price of up to $3.6 million and warrants to purchase up to 19,222,500 shares of Common Stock as follows: warrant to purchase 12,815,000 shares of Common Stock at $0.5 for two years, and warrants to purchase 6,407,500 shares of Common Stock at $0.28 for one year, out of which 946,834 were exercised, and 5,460,666 were cancelled.

In addition, the Company agreed to pay 10% of the funds received for the distribution services received, out of this amount, 4% was be paid in stock and the remaining 6% in cash. Accordingly, in March 2011, the Company issued 512,600 shares of Common Stock and paid $231.

I) On July 17, 2012, the Company raised a $5.7 million gross proceeds through a public offering (“2012 Public Offering”) of its common stock. The Company issued a total of 19,818,968 common stock of $0.00005 par value,

($0.29 per share) and 14,864,228 warrants to purchase 0.75 shares of Common Stock for every share purchased in the Public Offering, at an exercise price of $0.29 per share. The Warrants are exercisable until the 30 month anniversary of the date of issuance. After deducting closing costs and fees, the Company received net proceeds of approximately $4.9 million.

The Company paid to the Placement Agency, Maxim Group LLC (the “Placement Agent”), a cash fee and a corporate finance fee equal to 7% of the gross proceeds of the Public Offering. In addition, the Company issued to the Placement Agent a two year warrant to purchase up to 493,966 shares of Common Stock (equal to 3% of the number of shares sold in the Public Offering), with an exercise price equal to $0.348 (120% of the Public offering price). The Warrants are exercisable until the 30 month anniversary of the date of issuance. In addition, the Company issued to Leader Underwriters (1993) Ltd, warrants to purchase 232,758 shares of Common stock, at an exercise price of $0.29 per share. The warrants are exercisable until the 30 month anniversary of the date of issuance.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

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Notes to the financial statements

U.S. dollars in thousands

NOTE 8 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.):

1. Private placements and public offering: (Cont.):

(j) On August 16, 2013, the Company raised $4 million (gross) through a registered public offering ("2013 Public Offering") of its common stock. The Company issued a total of 23,529,411 common stock of $0.00005 par value, ($0.17 per share) and 17,647,058 warrants to purchase 0.75 shares of Common Stock for every share purchased in the Public Offering, at an exercise price of $0.25 per share. The Warrants are exercisable until the 36 month anniversary of the date of issuance. The Warrants also include, subject to certain exceptions, full ratchet anti-dilution protection in the event of the issuance of any common stock, securities convertible into common stock, or certain other issuances at a price below the then-current exercise price of the Warrants, which would result in an adjustment to the exercise price of the Warrants. In the event of a sale of the Company, each holder of Warrants has the right, exercisable at its option, to require the Company to purchase such holder's Warrants at a price determined using a Black-Scholes option pricing model as described in the Warrants. After deducting closing costs and fees, the Company received net proceeds of approximately $3.3 million. In accordance with the provisions of ASC 815 (formerly FAS 133) the proceeds related to the warrants at the amount of $829 were recorded to liabilities at the fair value of such warrants as of the date of issuance, and the proceeds related to common stocks of 2,496 were recorded to equity. As of December 31, 2013, the fair value of such warrants was presented as a liability at its fair value $655 as of such date (Also see note 2(i)).

(k) On February 7, 2013, the Company issued 833,334 units to a private investor for total proceeds of $250. Each unit consisted of one share of Common Stock and a warrant to purchase one share of Common Stock at $0.50 per share exercisable for 32 months.

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 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 years. Any options that are canceled or forfeited before expiration become available for future grants.

In June 2008, June 2011 and in June 2012, the Company's stockholders approved increases in the number of shares of common stock available for issuance under these stock option plans by 5,000,000, 5,000,000 and 9,000,000 shares, respectively.

From 2005 through 2009, the Company granted its directors options to purchase 800,000 (in total) shares of Common Stock of the Company at an exercise price of $0.15 per share. The options are fully vested and will expire after 10 years.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

NOTE 8 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.)

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

(a) Options to employees and directors:

As of December 31, 2013, 8,310,937 options are available for future grants.

On June 22, 2006, the Company entered into an amendment to the Company's option agreement with two of its employees. The amendment changed 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 options.

On October 23, 2007, the Company granted to its Chief Executive Officer an option to purchase 1,000,000 shares of Common Stock at an exercise price of $0.87 per share. On November 5, 2008, the Company amended the exercise price to $0.15 per share. The option is fully vested and expires after 10 years. The total compensation related to the option is $737, which was recorded as general and administrative expense. The options were all exercised for $150.

On June 29, 2009, the Company granted to its former Chief Executive Officer and director an option to purchase 1,000,000 shares of Common Stock at an exercise price of $0.067 per share. The option vests with respect to 1/3 of the shares subject to the option on each anniversary of the date of grant and expires after 10 years. Out of which 483,333 were exercised for $32 and 516,667 were cancelled.

The total compensation related to the option is $68, which is amortized over the vesting period as general and administrative expense. In February 2011, the former CEO resigned. On July 25, 2011, the Company signed a settlement agreement with the former CEO under which 483,333 shares out of the above grant became fully vested and exercisable through April 30, 2012. An additional $30 was written as compensation in general and administrative expense. In April 2012, the former CEO exercised the option to 483,333 shares of Common Stock for an exercise price of $32.

In the year ended December 31, 2012, 1,182,606 options were exercised by the former CEO of the Company for $137.

On June 29, 2009, the Company granted to its former Chief Financial Officer an option to purchase 200,000 shares of Common Stock at an exercise price of $0.067 per share. The option vested with respect to 1/3 of the shares subject to the option. In connection with the former Chief Financial Officer’s resignation, 2/3 of the above shares were cancelled and the remaining 66,667 were exercised for $4.

On April 13, 2010, the Company, Abraham Israeli and Hadasit Medical Research Services and Development Ltd. (“Hadasit”) entered into an Agreement (the “Agreement”) pursuant to which Prof. Israeli agreed, during the term of the Agreement, to serve as (i) the Company’s Clinical Trials Advisor and (ii) a member of the Company’s Board of Directors.

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Notes to the financial statements

U.S. dollars in thousands

NOTE 8 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.):

2. Share-based compensation to employees and to directors: (Cont.):

a) Options to employees and directors: (Cont.):

In consideration of the services to be provided by Prof. Israeli to the Company under the Agreement, the Company agreed to grant options annually during the term of the Agreement for the purchase of its Common Stock, as follows:

- An option for the purchase of 166,666 shares of Common Stock at an exercise price equal to $0.00005 per share to Prof. Israeli; and

- A warrant for the purchase of 33,334 shares of Common Stock at an exercise price equal to $0.00005 per share to Hadasit.

Such options will vest and become exercisable in twelve (12) consecutive equal monthly amounts.

Accordingly, the Company granted to Prof. Israeli in each of April 2010, in June 2011, in April 2012 and April 2013, an option to purchase 166,666 shares of Common Stock at an exercise price equal to $0.00005 per share.

The aggregated compensation related to such warrants recorded as of December 31, 2013 is $166 was classified as general and administrative expense.

Accordingly, the Company also granted Hadasit, in each of April 2010, in June 2011, in April 2012 and April 2013, a warrant to purchase 33,334 shares of Common Stock at an exercise price equal to $0.00005 per share. The aggregated compensation related to the options recorded as of December 31, 2013 is $31 was classified as research and development expense.

In December 2013, the Board of the Company agreed to amend the agreement with Prof. Israeli and Hadasit and the yearly grant, starting April 2014, will be 360,000 options annually out of which Prof. Israeli will receive an option to purchase 300,000 shares of Common Stock and Hadasit will receive 60,000 shares of Common Stock.

On December 16, 2010, the Company granted to two of its directors an option to purchase 400,000 shares of Common Stock at an exercise price of $0.15 per share. The options are fully vested and are exercisable for a period of 10 years. The compensation related to the option, in the amount of $78, was recorded as general and administrative expense.

On December 16, 2010, the Company approved the grant to its three Scientific Board members 300,000 shares of Common Stock of the Company. The compensation related to the option, in the amount of $60, was recorded as research and development expense.

In January 2011, the Company granted to its former CEO, an option to purchase 450,000 shares of Common Stock of the Company at $0.20. The total compensation related to the option is $177, which is amortized over the vesting period as general and administrative expense.

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NOTE 8 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.):

2. Share-based compensation to employees and to directors: (Cont.):

a) Options to employees and directors: (Cont.)

On June 27, 2011, the Company granted to four of its directors options to purchase an aggregate of 634,999 shares of Common Stock of the Company at $0.15. The total compensation related to the option was $287, which is amortized over the vesting period as general and administrative expense.

On August 10, 2011, the Company granted to its former CEO, an option to purchase 70,000 shares of Common Stock of the Company at $0.20. The total compensation related to the option was $26, which was amortized as general and administrative expense.

On August 1, 2012, the Company granted to three of its directors options to purchase an aggregate of 460,000 shares of Common Stock of the Company at $0.15 per share. The total compensation related to the option was $105, which is amortized over the vesting period as general and administrative expense.

On August 1, 2012, the Company granted to its former CEO, an option to purchase 70,000 shares of Common Stock of the Company at $0.26 per share. The total compensation expense related to the option was $16, which was amortized as general and administrative expense.

On February 1, 2013, the Company granted its former Chief Executive Officer an option to purchase 4,000,000 shares of Common Stock at an exercise price of $0.29 per share. The option would have vested as to 1/3 of the shares subject thereto on January 24, 2014 and the remainder would have vested over the subsequent 36 consecutive months. On July 28, 2013, the former CEO informed the Company of his resignation from his position with the Company effective October 28, 2013. In connection with the former CEO's resignation on October 28, 2013, the above options were cancelled and the total compensation expense related to the option that was recorded as general and administrative expense was cancelled.

On April 19, 2013, the Company granted to three of its directors options to purchase an aggregate of 460,000 shares of Common Stock of the Company at $0.15 per share. The total compensation expense related to the options will be recorded as general and administrative expense.

As of December 31, 2013, 8,310,937 options are available for future grants.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

NOTE 8 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.)

2. Share-based compensation to employees and to directors: (Cont.)

a) Options to employees and directors: (Cont.)

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

	For the year ended December 31, 2013		
	Amount of options	Weighted average exercise price $	Aggregate intrinsic value $
Outstanding at beginning of period	4,751,665	0.1803	
Granted	5,726,666	0.2492	
Exercised	(20,000)	0.0670	
Cancelled	(4,272,500)	0.2873	
Outstanding at end of period	6,185,831	0.1705	58,765
Vested and expected-to-vest at end of period	5,036,942	0.1712	44,325

The aggregate intrinsic value in the table above represents the difference between the fair market value of the Company's shares on December 31, 2013 and 2012 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, 2013 and 2012.

The options outstanding as of December 31, 2013, have been separated into exercise prices, as follows:

Exercise price $	Options outstanding as of December 31, 2013	Weighted average remaining contractual Life Years	Options exercisable as of December 31, 2013
0.00005	666,664	7.29	611,109
0.067	96,668	5.50	96,668
0.15	2,604,999	6.86	2,451,666
0.18	1,580,000	8.57	640,000
0.2	507,500	7.51	507,500
0.26	355,000	8.59	355,000
0.32	30,000	6.12	30,000
0.39	90,000	3.50	90,000
0.4	90,000	2.47	90,000
0.47	90,000	3.22	90,000
0.75	75,000	1.16	75,000
	6,185,831	7.23	5,036,942

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

NOTE 8 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.)

2. Share-based compensation to employees and to directors: (Cont.)

a) Options to employees and directors: (Cont.)

Compensation expense recorded by the Company in respect of its stock-based employee compensation award in accordance with ASC 718-10 for the year ended December 31, 2013 and 2012 amounted to $674 and $560, respectively.

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

	Year ended December 31,			
	2013		2012	
Expected volatility	121	%	132	%
Risk-free interest	0.86	%	0.63	%
Dividend yield	0	%	0	%
Expected life of up to (years)	5.4		5.5	
Forfeiture rate	0	%	0	%

b) Restricted shares to directors:

During May 2006 through April 2007, the Company issued to its directors 400,000 restricted shares of Common Stock (100,000 each). The restrictions on the shares have fully lapsed. The compensation related to the stocks issued amounted to $198, which was amortized over the vesting period as general and administrative expenses.

On August 27, 2008, the Company issued to its director 960,000 shares of Common Stock upon a cashless exercise by a shareholder of a warrant to purchase 1,000,000 shares of Common Stock at an exercise price of $.01 per share that was acquired by the shareholder from Ramot. The shares were allocated to the director by the shareholder.

In May and June 2010, based on a board resolution dated June 29, 2009, the Company issued to three directors, three of its Scientific Advisory Board members and two of its Advisory Board members 800,000 restricted shares of Common Stock. The shares will vest in three annual and equal portions commencing with the grant date.

On December 16, 2010, the Company approved a grant to two of its directors of 400,000 (total) shares of Common Stock. Related compensation in the amount of $80 was recorded as general and administrative cost in 2010. These shares were actually granted in June 2011, and an additional related compensation in the amount of $112 was recorded as general and administrative expense.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

NOTE 8 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.)

2. Share-based compensation to employees and to directors: (Cont.)

b) Restricted shares to directors: (Cont.)

On June 27, 2011, the Company granted to two of its directors 476,666 (total) shares of Common Stock, out of which 216,666 shares are fully vested and 260,000 shares will vest in 12 equal monthly installments through June 2012. Related compensation in the amount of $229 will be recorded as general and administrative expense.

On August 22, 2011, the Company entered into an agreement with Chen Schor (the "Executive Director Agreement") pursuant to which the Company granted to Mr. Schor 923,374 shares of restricted Common Stock of the Company. The shares will vest over 3 years - 1/3 upon each anniversary of the Grant Date. In addition, the Company will pay $15 per quarter to Mr. Schor for his services as an Executive Board Member.

In August 2011, the Company issued to three of its Scientific Advisory Board members and three of its Advisory Board members a total of 300,000 restricted shares of Common Stock. The restrictions of the shares shall lapse in equal monthly portions over the service period.

In November 2011, the Company issued to four of its Advisory Board members a total of 500,000 restricted shares of Common Stock.

The shares will vest in equal monthly portions over the service period.

In addition, in November 2011, the Company issued to a former director 250,000 shares of Common Stock. Related compensation in the amount of $70 was recorded as general and administrative expense.

In August 2012, the Company issued to two directors, four of its Scientific Advisory Board members and three of its Advisory Board members a total of 885,000 restricted shares of Common Stock. The shares will vest in 12 equal monthly portions over the service period. Related compensation in the amount of $198 was recorded as general and administrative expense.

On April 19, 2013, the Company issued to two of its directors and four of its Advisory Board members a total of 760,000 restricted shares of Common Stock. The shares will vest in 12 equal monthly portions until fully vested on the anniversary of grant. Related compensation expense in the amount of $175 will be recorded as general and administrative expense.

3. Shares and warrants to service providers:

The Company accounts for shares and warrant grants issued to non-employees using the guidance of ASC 505-50, "Equity-Based Payments to Non-Employees" (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.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

NOTE 8 - STOCK CAPITAL (Cont.)

B. Issuance of shares, warrants and options: (Cont.)

3. Shares and warrants to service providers: (Cont.)

a) Warrants to investors and service providers:

Issuance date	Number of warrants issued	Exercised	Forfeited	Outstanding	Exercise Price $	Warrants exercisable	Exercisable through
November-December 2004	14,600,845	14,396,010	204,835	-	0.00005 - 0.01	-	-
February-December 2005	3,058,471	173,000	2,548,308	337,163	0.15 - 2.5	337,163	Jun - Dec 2015
February-December 2006	1,686,355	727,696	478,659	480,000	0.005 – 1.5	480,000	Feb - May 2016
March 2007	14,803,300		1,003,300	13,800,000	0.15 - 0.47	13,800,000	May 2015 – Oct
April 2008	9,175,000			9,175,000	0.15 - 0.29	9,175,000	May 2015 – Sep
Apr-Oct 2009	4,937,500	100,000		4,837,500	0.067 – 0.29	4,837,500	May 2015 – Oct
January 2010	1,250,000		1,250,000	-	0.5	-	-
February 2010	125,000	125,000		-	0.01	-	-
February 2010	3,000,000		3,000,000	-	0.5	-	-
February 2010	1,500,000			1,500,000	0.001	500,000	Feb 2020
April 2010	33,334			33,334	0.00005	33,334	Apr 2020
January 2011	4,537,500			4,537,500	0.29	4,537,500	May 2015
February 2011	641,026		641,026	-	0.39	-	-
February 2011	6,407,500	946,834	5,460,666	-	0.28	-	-
February 2011	12,815,000		12,815,000	-	0.5	-	-
April 2011	33,334			33,334	0.00005	33,334	Apr 2021
April 2012	33,334			33,334	0.00005	33,334	Apr 2022
July 2012	493,966			493,966	0.348	493,966	Jul 2014
July 2012	232,758			232,758	0.29	232,758	Jan 2015
July 2012	14,864,228			14,864,228	0.29	14,864,228	Jan 2015

Feb 2013	833,334			833,334	0.5	833,334	Oct 2015
April 2013	33,334			33,334	0.00005	13,889	April 2023
August 2013	17,647,058			17,647,058	0.25	17,647,058	August 2016
	112,742,177	16,468,540	27,401,794	68,871,843		67,852,398	

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, 2010; weighted average volatility of 140%, risk free interest rates of 2.39%-3.14%, dividend yields of 0% and a weighted average life of the options of 5-5.5 and 1-9 years. There were no grants to service providers during 2013 and 2012 using Black-Scholes calculation.

b) Shares:

In June, 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, was 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 February 10, 2005, the Company signed an agreement with one of its service providers under which the Company issued to 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. All restrictions on these shares have lapsed.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

NOTE 8 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.)

3. Shares and warrants to service providers: (Cont.)

b) Shares: (Cont.)

In March and in April 2005, the Company signed an agreement with four members of its Scientific Advisory Board under 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). All restrictions on these shares have lapsed.

Between the years 2004 through 2009, the Company issued to several services providers, in separate transactions, 3,045,508 shares of Common Stock in total. The total related compensation, in the amount of $758, was recorded as general and administrative expense.

On March 5, 2007, the Company issued a $150 Convertible Promissory Note to a third party. Interest on the note accrued at the rate of 8% per annum for the first year and 10% per annum after the first year. On January 27, 2010, the third party converted the entire accrued principle and interest outstanding under the note, amounting to $189, into 1,016,109 shares of Common Stock.

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.

On May 20, 2008, the Company issued to its finance advisor 90,000 shares of the Company's common stock. The shares are for $35 payable to the finance advisor for introduction fee of past convertible loans. Related compensation in the amount of $36 is recorded as finance expenses.

On April 5, 2009, the Company issued to its Chief Technology Advisor 1,800,000 shares of Common Stock. The shares are for $180 payable to the advisor. Related compensation in the amount of $144 was recorded as research and development expense.

On October 1, 2009, the Company issued to its service provider 150,000 shares of the Company's Common Stock. The shares are for financial and investor relation services done by the provider. Related compensation in the amount of $51 is recorded as general and administrative expense.

On October 2, 2009, the Company issued to its service provider 1,250,000 shares of the Company's Common Stock. The shares are for investor and public relation services. Related compensation in the amount of $400 is recorded as general and administrative expense.

On December 30, 2009, the Company issued to Ramot 1,120,000 shares of the Company's Common Stock (See note 3).

On December 13, 2009, the Company issued a $135 Convertible Promissory Note to it legal advisor for $217 in legal fees accrued through October 31, 2009. Interest on the note accrued at the rate of 4%.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

NOTE 8 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.)

3. Shares and warrants to service providers: (Cont.)

b) Shares: (Cont.)

On January 5, 2010, the Company issued to its public relations advisor 50,000 shares of the Company's Common Stock for six months service. The issuance of the shares is part of the agreement with the public relations advisor that entitles it to a monthly grant of 8,333 shares of the Company's Common Stock. Related compensation in the amount of $12 was recorded as general and administrative expense.

On January 6, 2010, the Company issued to its service provider 60,000 shares of the Company's Common Stock. The shares are for $15 payable to the service provider for insurance and risk management consulting and agency services for three years. Related compensation in the amount of $16 was recorded as general and administrative expense.

On February 19, 2010, the Company's legal advisor converted the entire accrued principal and interest amount outstanding under the note into 402,385 shares of Common Stock.

On April 6, 2010, Prof. Melamed fully exercised his warrant to purchase 1,097,215 shares of the Company’s Common Stock. The warrant was issued to him pursuant to the agreement with the Consultants effective as of November 4, 2004 (See Note 4a).

In May 2010, based on a board resolution dated June 29, 2009, the Company issued to one of its public relations advisors 100,000 restricted shares of Common Stock. The shares will vest in three annual and equal portions commencing with the grant date.

On December 16, 2010, the Company granted to its service provider 200,000 shares of the Company's Common Stock. The shares are for investor and public relations services. Related compensation in the amount of $40 is recorded as general and administrative expense.

On December 16, 2010, the Company granted to its two consultants 1,100,000 shares of the Company's Common Stock (See Note 4B).

On February 18, 2011, the Company's legal advisor converted the entire accrued principal and interest of the Convertible Promissory Note granted on September 15, 2010, totaling $137, into 445,617 shares of Common Stock.

On June 27, 2011, the Company granted to its legal advisor 180,000 shares of Common Stock for 2011 legal services. Related compensation in the amount of $86 was recorded as general and administrative expense.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

NOTE 8 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.)

3. Shares and warrants to service providers: (Cont.)

b) Shares: (Cont.)

On June 27, 2011, the Company granted to its consultant 400,000 shares of the Company's Common Stock, for services rendered through December 31, 2009 (See note 4c).

Related compensation in the amount of $192 was recorded as research and development expense.

On June 27, 2011, the Company granted to a service provider 10,870 shares of the Company's Common Stock. Related compensation in the amount of $5 is recorded as general and administrative expense.

On December 31, 2011, the Company issued to Hadasit warrants to purchase up to 1,500,000 restricted shares of the Company's Common Stock at an exercise price of $0.001 per share, exercisable for a period of 5 years. The warrants shall vest over the course of the trials as follows: 500,000 upon enrollment of 1/3 of the patients; an additional 500,000 upon enrollment of all the patients and the final 500,000 upon completion of the study.

On August 1, 2012, the Company approved an additional grant of 623,077 shares of the Company's Common Stock to the Consultants, for services rendered from January 1, 2011 through June 30, 2012. Related compensation in the

amount of $162 was recorded as research and development expense.

On January 16, 2013, the Company granted an aggregate of 216,000 shares of Common Stock of the Company to two consultants, for services rendered through December 31, 2012. Related compensation expense in the amount of $54 was recorded as research and development expense(See note 4E).

On February 4, 2013, the Company issued 126,111 shares of Common Stock to an investor, according to a settlement agreement, for the correction of the conversion rate of a $200 convertible loan. The convertible loan was issued in 2006 and converted in 2010.

On March 11, 2013, the Company granted to its legal advisor 193,696 shares of Common Stock for 2013 legal services. As of June 30, 2013, related compensation expense in the amount of $22 was recorded as general and administrative expense.

On November 13, 2013, the Company approved a grant of 450,000 shares of the Company's Common Stock to the Consultants, for services rendered during January 1, 2013 through September 30, 2013.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

NOTE 8 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.)

3. Shares and warrants to service providers: (Cont.)

(a) Shares: (Cont.)

On March 11, 2013, the Company granted to two of its service providers an aggregate of 400,000 shares of the Company's Common Stock. The shares are public relations services. As of December 31, 2013, related compensation expense in the amount of $92 was recorded as general and administrative expense.

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

	Year ended December 31, 2013		Year ended December 31, 2012	
	Amount of shares	Weighted average issue price $	Amount of shares	Weighted average issue price $
Outstanding at beginning of period	11,795,801	0.27	11,001,378	0.27
Issued	809,696	0.24	794,423	0.26
Outstanding at end of period	12,605,497	0.27	11,795,801	0.27

Stock-based compensation and issuance of shares recorded by the Company in respect of shares and warrants granted to service providers amounted to $197 and $195 for the year ended December 31, 2013 and 2012, respectively.

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:

	Year ended December 31,		Period from September 22, 2000 (inception date) through December 31,
	2013	2012	2013
	U.S. $ in thousands		
Research and development	105	236	17,871
General and administrative	767	545	11,425
Financial expenses, net	-	-	248
Total stock-based compensation expense	872	781	29,544

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

NOTE 9 - RESEARCH AND DEVELOPMENT, NET

	Year ended December 31,		Period from September 22, 2000 (inception date) through December 31,
	2013	2012	2013
	U.S. $ in thousands		
Research and development	4,030	2,688	33,551
Less : Ramot reverse accruals (See Note 3)	-	-	(760)
Less : Participation by the Israeli Office of the Chief Scientist	(1,113)	(918)	(3,685)
	2,917	1,770	29,106

NOTE 10 - TAXES ON INCOME

A. Tax rates applicable to the income of the subsidiary:

The corporate tax rate in Israel for 2010 was 25%. In 2011, following the Amended Legislation for Implementing the Economic Plan for 2009 and 2010, the corporate tax rate in Israel was 24%.

The Tax Burden Distribution Law of 2011 set the corporate tax rate at 25% for 2012 and 2013. In August 2013, the Israeli Knesset (Israeli parliament) approved an increase in the corporate tax rate to 26.5% for 2014 and thereafter**.**

Such tax rate changes have no significant impact on the Company's financial statements.

B. Tax laws applicable to the income of the Subsidiary:

Income Tax (Inflationary Adjustments) Law, 1985:

Under Israeli law (the Income Tax (Inflationary Adjustments) Law, 1985), until 2007, the Company's results for tax purposes were adjusted annually as a result of changes in the Israeli Consumer Price Index (CPI)

In February 2008, the “Knesset” passed an amendment to such law that limits its scope starting in 2008, and thereafter. Starting in 2008, the Company's results for tax purposes are measured in nominal values. The amendment to the law includes, inter alia, the elimination of the inflationary additions and deductions and the additional deduction for depreciation starting in 2008.

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

NOTE 10 - TAXES ON INCOME (Cont.):

B. Tax laws applicable to the income of the Subsidiary: (Cont.)

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%.

In December 2010, the Knesset passed the Law for Economic Policy for 2011 and 2012 (Amended Legislation), 2011, which prescribes, among others, amendments to the Law for the Encouragement of Capital Investments, 1959 (the "Investment Law"). The amendment was enacted as of January 1, 2011. Under the amendment, the benefit tracks in the Investment Law were modified and a flat tax rate applies to the Company's entire "Preferred Income". The Company will be able to opt to apply (the waiver is non-recourse) the amendment and from then on it will be subject to the amended tax rates that are: 2011 and 2012 - 15% (in development area A - 10%), 2013 and 2014 - 12.5% (in development area A - 7%) and in 2015 and thereafter - 12% (in development area A - 6%).

On July 30, 2013 the Knesset passed the Law for the change in the order of National Priorities (Legislative amendments to achieve budget objectives for 2013 and 2014) - 2013. As part of the legislation, the Law for the Encouragement of Capital Investments was amended so that the tax rate applicable to a preferred enterprise in this period in Development Area A will be 9% and the tax rate in other parts of the country will be 16%.

C. 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:

	December 31,	
	2013	2012
	U.S. $ in thousands	
Operating loss carryforward	25,156	22,067
Net deferred tax asset before valuation allowance	8,961	8,340
Valuation allowance	(8,961)	(8,340)
Net deferred tax asset	-	-

As of December 31, 2013, the Company has provided valuation allowances of $8,961 in respect of deferred tax assets resulting from tax loss carryforward and other temporary differences. Management currently believes that because 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.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

U.S. dollars in thousands

NOTE 10 - TAXES ON INCOME (Cont.):

D. Available carryforward tax losses:

As of December 31, 2013, the Company has an accumulated tax loss carryforward of approximately $25,156. Carryforward tax losses in Israel are unlimited duration and 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.

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

	Year ended December 31,	
	2013	2012
	U.S. $ in thousands	
United States	(1,379)	(1,197)
Israel	(3,694)	(2,233)
	(5,073)	(3,430)

F. Due to the Company’s cumulative losses, the effect of ASC 740 as codified from ASC 740-10 (formerly FIN 48) is not material.

NOTE 11 - TRANSACTIONS WITH RELATED PARTIES

		Year ended December 31,	
		2013	2012
		U.S. $ in thousands	
A.	Fees and related benefits and compensation expenses in respect of options granted to a member of the Board who is a related party	248	239

B. As for transactions with Ramot, see Note 3.

NOTE 12 - SUBSEQUENT EVENTS

A. Through January and February, 2014 the Company received approximately $380 from the Chief Scientist of the State of Israel for participation in research and development.

B. In March 2014, the Company signed a definitive agreement with the Massachusetts General Hospital (MGH) in Boston, MA to conduct a Phase II clinical trial of NurOwn™ in amyotrophic lateral sclerosis (ALS), pending FDA approval.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

(Except share data)

	March 31, 2014 Unaudited	December 31, 2013 Audited
ASSETS		
Current Assets:		
Cash and cash equivalents	3,027	3,503
Account receivable	792	910
Prepaid expenses	34	33
Total current assets	3,853	4,446
Long-Term Assets:		
Prepaid expenses	13	22
Total long-term investments	13	22
Property and Equipment, Net	327	258
Total assets	4,193	4,726
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Trade payables	326	228
Accrued expenses	1,034	877
Other accounts payable	247	227
Total current liabilities	1,607	1,332
Long-Term Liabilities:		
Warrants issued to investors	1,726	655
Total long-term liabilities	1,726	655
Total liabilities	3,333	1,987

Stockholders' Equity:		
Stock capital: (Note 6)	8	8
Common stock of $0.00005 par value - Authorized: 800,000,000 shares at March 31, 2014 and December 31, 2013; Issued and outstanding: 176,803,587 and 176,263,587 shares at March 31, 2014 and December 31, 2013 respectively.		
Additional paid-in-capital	55,370	55,138
Deficit accumulated during the development stage	(54,518)	(52,407)
Total stockholders' equity	860	2,739
Total liabilities and stockholders' equity	4,193	4,726

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands

(Except share data)

	Three months ended March 31,		Period from September 22, 2000 (inception date) through March 31,
	2014	2013	2014
	Unaudited		Unaudited
Operating costs and expenses:			
Research and development, net	680	522	29,786
General and administrative	351	559	21,203
Total operating costs and expenses	1,031	1,081	50,989
Financial expenses (income), net	1,080	1	3,390
Other income	-	-	(132)
Operating loss	2,111	1,082	54,247
Taxes on income	-	-	107
Loss from continuing operations	2,111	1,082	54,354
Net loss from discontinued operations	-	-	164
Net loss	2,111	1,082	54,518
Basic and diluted net loss per share from continuing operations	0.01	0.01	
Weighted average number of shares outstanding used in computing basic and diluted net loss per share	176,305,587	150,953,117	

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in capital	Deferred Stock - based compensation	Deficit accumulated during the development stage	Total stockholders' equity (deficiency)
	Number	Amount				
Balance as of September 22, 2000 (date of inception) (unaudited)	-	$ -	$ -	$ -	$ -	$ -
Stock issued on September 22, 2000 for cash at $0.00188 per share	8,500,000	1	16	-	-	17
Stock issued on March 31, 2001 for cash at $0.0375 per share	1,600,000	* -	60	-	-	60
Contribution of capital	-	-	8	-	-	8
Net loss	-	-	-	-	(17)	(17)
Balance as of March 31, 2001 (unaudited)	10,100,000	1	84	-	(17)	68
Contribution of capital	-	-	11	-	-	11
Net loss	-	-	-	-	(26)	(26)
Balance as of March 31, 2002 (unaudited)	10,100,000	1	95	-	(43)	53
Contribution of capital	-	-	15	-	-	15
Net loss	-	-	-	-	(47)	(47)
Balance as of March 31, 2003 (unaudited)	10,100,000	1	110	-	(90)	21
2-for-1 stock split	10,100,000	* -	-	-	-	-
Stock issued on August 31, 2003 to purchase mineral option at $0.065 per share	100,000	* -	6	-	-	6
Cancellation of shares granted to Company's President	(10,062,000)	* -	* -	-	-	-
Contribution of capital	-	* -	15	-	-	15
Net loss	-	-	-	-	(73)	(73)
Balance as of March 31, 2004 (unaudited)	10,238,000	$ 1	$ 131	$ -	$ (163)	$ (31)

* Represents an amount less than $1.

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in capital	Deferred Stock - based compensation	Deficit accumulated during the development stage	Total stockholders' equity (deficiency)
	Number	Amount				
Balance as of March 31, 2004	10,238,000	$ 1	$ 131	$ -	$ (163)	$ (31)
Stock issued on June 24, 2004 for private placement at $0.01 per share, net of $25,000 issuance expenses	8,510,000	*	60	-	-	60
Contribution capital	-	-	7	-	-	7
Stock issued in 2004 for private placement at $0.75 per unit	1,894,808	*	1,418	-	-	1,418
Cancellation of shares granted to service providers	(1,800,000)	*	-	-	-	-
Deferred stock-based compensation related to options granted to employees	-	-	5,979	(5,979)	-	-
Amortization of deferred stock-based compensation related to shares and options granted to employees	-	-	-	584	-	584
Compensation related to shares and options granted to service providers	2,025,000	*	17,506	-	-	17,506
Net loss	-	-	-	-	(18,840)	(18,840)
Balance as of March 31, 2005	20,867,808	$ 1	$ 25,101	$ (5,395)	$ (19,003)	$ 704

* Represents an amount less than $1.

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

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BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in	Deferred Stock - based	Deficit accumulated during the	Total stockholders'
	Number	Amount	capital	compensation	development stage	equity (deficiency)
Balance as of March 31, 2005	20,867,808	$ 1	$ 25,101	$ (5,395)	$ (19,003)	$ 704
Stock issued on May 12, 2005 for private placement at $0.8 per share	186,875	* -	149	-	-	149
Stock issued on July 27, 2005 for private placement at $0.6 per share	165,000	* -	99	-	-	99
Stock issued on September 30, 2005 for private placement at $0.8 per share	312,500	* -	225	-	-	225
Stock issued on December 7, 2005 for private placement at $0.8 per share	187,500	* -	135	-	-	135
Forfeiture of options granted to employees	-	-	(3,363)	3,363	-	-
Deferred stock-based compensation related to shares and options granted to directors and employees	200,000	* -	486	(486)	-	-
Amortization of deferred stock-based compensation related to options and shares granted to employees and directors	-	-	51	1,123	-	1,174
Stock-based compensation related to options and shares granted to service providers	934,904	* -	662	-	-	662
Reclassification due to application of ASC 815-40-25 (formerly EITF 00-19)	-	-	(7,906)			(7,906)
Beneficial conversion feature related to a convertible bridge loan	-	-	164	-	-	164
Net loss	-	-	-	-	(3,317)	(3,317)
Balance as of March 31, 2006	22,854,587	$ 1	$ 15,803	$ (1,395)	$ (22,320)	$ (7,911)
Elimination of deferred stock compensation due to implementation of ASC 718-10 (formerly SFAS 123(R))	-	-	(1,395)	1,395	-	-
	200,000	* -	1,168	-	-	1,168

Stock-based compensation related to shares and options granted to directors and employees						
Reclassification due to application of ASC 815-40-25 (formerly EITF 00-19)	-	-	7,191	-	-	7,191
Stock-based compensation related to options and shares granted to service providers	1,147,225	-	453	-	-	453
Warrants issued to convertible note holder	-	-	11	-	-	11
Warrants issued to loan holder	-	-	110	-	-	110
Beneficial conversion feature related to convertible bridge loans	-	-	1,086	-	-	1,086
Net loss	-	-	-	-	(3,924)	(3,924)
Balance as of December 31, 2006	24,201,812	$ 1	$ 24,427	$ -	$ (26,244)	$ (1,816)

* Represents an amount less than $1.

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in	Deferred Stock - based	Deficit accumulated during the development	Total stockholders' equity
	Number	Capital	compensation	stage	stage	(deficiency)
Balance as of December 31, 2006	24,201,812	$ 1	$ 24,427	$ -	$ (26,244)	$ (1,816)
Stock-based compensation related to options and shares granted to service providers	544,095		1,446	-	-	1,446
Warrants issued to convertible note holder	-	-	109	-	-	109
Stock-based compensation related to shares and options granted to directors and employees	200,000	* -	1,232	-	-	1,232
Beneficial conversion feature related to convertible loans	-	-	407	-	-	407
Conversion of convertible loans	725,881	* -	224	-	-	224
Exercise of warrants	3,832,621	* -	214	-	-	214
Stock issued for private placement at $0.1818 per unit, net of finder's fee	11,500,000	1	1,999	-	-	2,000
Net loss	-	-	-	-	(6,244)	(6,244)
Balance as of December 31, 2007	41,004,409	$ 2	$ 30,058	$ -	$ (32,488)	$ (2,428)
Stock-based compensation related to options and stock granted to service providers	90,000	-	33	-	-	33
Stock-based compensation related to stock and options granted to directors and employees	-	-	731	-	-	731
Conversion of convertible loans	3,644,610	* -	1,276	-	-	1,276
Exercise of warrants	1,860,000	* -	-	-	-	-
Exercise of options	17,399	* -	3	-	-	3
Stock issued for private placement at $0.1818 per unit, net of finder's fee	8,625,000	1	1,499	-	-	1,500
Subscription of shares for private placement at $0.1818 per unit	-	-	281	-	-	281
Net loss	-	-	-	-	(3,472)	(3,472)

Balance as of December 31, 2008	55,241,418	$ 3	$ 33,881	$ -	$ (35,960)	$ (2,076)

* Represents an amount less than $1.

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in	Deferred stock - based	Deficit accumulated during the development	Total stockholders' equity
	Number	Amount	capital	compensation	stage	(deficiency)
Balance as of December 31, 2008	55,241,418	$ 3	$ 33,881	$ -	$ (35,960)	$ (2,076)
Stock-based compensation related to options and stock granted to service providers	5,284,284	(*)	775	-	-	775
Stock-based compensation related to stock and options granted to directors and employees	-	-	409	-	-	409
Conversion of convertible loans	2,500,000	(*)	200	-	-	200
Exercise of warrants	3,366,783	(*)	-	-	-	-
Stock issued for amendment of private placement	9,916,667	1	-	-	-	1
Subscription of shares	-	-	729	-	-	729
Net loss	-	-	-	-	$ (1,781)	(1,781)
Balance as of December 31, 2009	76,309,152	$ 4	$ 35,994	$ -	$ (37,741)	$ (1,743)

* Represents an amount less than $1.

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in	Deferred Stock - based	Deficit accumulated during the development	Total stockholders' equity
	Number	Amount	capital	compensation	stage	(deficiency)
Balance as of December 31, 2009	76,309,152	$ 4	$ 35,994	$ -	$ (37,741)	$ (1,743)
Stock-based compensation related to options and stock granted to service providers	443,333	*	96	-	-	96
Stock-based compensation related to stock and options granted to directors and employees	466,667	*	388	-	-	388
Stock issued for amendment of private placement	7,250,000	1	1,750	-	-	1,751
Conversion of convertible note	402,385	*	135	-	-	135
Conversion of convertible loans	1,016,109	*	189	-	-	189
Issuance of shares	2,475,000		400			400
Exercise of options	1,540,885	*	77	-	-	77
Exercise of warrants	3,929,446	*	11	-	-	11
Subscription of shares for private placement at $0.12 per unit		-	455	-	-	455
Conversion of trade payable to stock		-	201	-	-	201
Issuance of shares on account of previously subscribed shares	2,000,001	*	-	-	-	-
Net loss					(2,419)	(2,419)
Balance as of December 31, 2010	95,832,978	$ 5	$ 39,696	$ -	$ (40,160)	$ (459)

* Represents an amount less than $1.

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in	Deferred Stock - based	Deficit Accumulated during the development	Total stockholders' equity
	Number	Amount	capital	compensation	Stage	(deficiency)
Balance as of December 31, 2010	95,832,978	$ 5	$ 39,696	$ -	$ (40,160)	$ (459)
Stock-based compensation related to options and stock granted to service providers	474,203	-	449	-	-	449
Stock-based compensation related to stock and options granted to directors and employees	2,025,040	-	1,135	-	-	1,135
Conversion of convertible note	755,594	-	140	-	-	140
Exercise of options	1,648,728	-	243	-	-	243
Exercise of warrants	1,046,834	-	272	-	-	272
Issuance of shares for private placement	14,160,933	1	3,601	-	-	3,602
Issuance of shares on account of previously subscribed shares	10,499,999	-	24	-	-	24
Net loss	-	-	-	-	(3,918)	(3,918)
Balance as of December 31, 2011	126,444,309	$ 6	$ 45,560	$ -	$ (44,078)	$ 1,488

* Represents an amount less than $1.

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in	Deferred Stock - based	Deficit accumulated during the development	Total stockholders'
	Number	Amount	capital	compensation	stage	equity
Balance as of December 31, 2011	126,444,309	$ 6	$ 45,560	$ -	$ (44,078)	$ 1,488
Stock-based compensation related to options and stock granted to service providers	794,423	-	195	-	-	195
Stock-based compensation related to stock and options granted to directors and employees	885,000	-	560	-	-	560
Exercise of options	1,182,606	(*)	137	-	-	137
Exercise of warrants	959,729	(*)	9	-	-	9
Issuance of shares for private placement	19,818,968	1	5,022		-	5,023
Net loss	-	-	-	-	(3,430)	(3,430)
Balance as of December 31, 2012	150,085,035	$ 7	$ 51,483	$ -	$ (47,508)	$ 3,982

* Represents an amount less than $1.

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in capital	Deferred Stock - based compensation	Deficit accumulated during the development stage	Total stockholders' equity
	Number	Amount				
Balance as of December 31, 2012	150,085,035	$ 7	$ 51,483	$ -	$ (47,508)	$ 3,982
Stock-based compensation related to options and stock granted to service providers	809,696		197	-	-	197
Stock-based compensation related to stock and options granted to directors and employees	760,000		674	-	-	674
Issuance of shares for public offering	23,529,411	1	2,496	-	-	2,497
Issuance of shares for private placement	833,334	(*)	250	-	-	250
Conversion of convertible loans	126,111	-	30	-	-	30
Exercise of options	120,000	(*)	8	-	-	8
Net loss	-	-	-	-	(4,899)	(4,899)
Balance as of December 31, 2013	176,263,587	$ 8	$ 55,138	-	$ (52,407)	$ 2,739

* Represents an amount less than $1.

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in capital	Deferred Stock - based compensation	Deficit accumulated during the development stage	Total stockholders' equity
	Number	Amount				
Balance as of December 31, 2013	176,263,587	$ 8	$ 55,138	-	$ (52,407)	$ 2,739
Stock-based compensation related to options and stock granted to service providers	540,000	-	110	-	-	110
Stock-based compensation related to stock and options granted to directors and employees	-	-	122	-	-	122
Net loss	-	-	-	-	(2,111)	(2,111)
Balance as of March 31, 2014	176,803,587	$ 8	$ 55,370	-	$ (54,518)	$ 860

* Represents an amount less than $1.

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

(Except share data)

	Three months ended March 31,		Period from September 22, 2000 (inception date) through March 31,
	2014	2013	2014(*)
	Unaudited		Unaudited
Cash flows from operating activities:			
Net loss	(2,111)	(1,082)	(54,518)
Less - loss for the period from discontinued operations	-	-	164
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization of deferred charges	25	33	1,280
Accrued interest on loans	-	-	451
Amortization of discount on short-term loans	-	-	1,864
Change in fair value of options and warrants		-	(795)
Expenses related to shares and options granted to service providers	110	128	22,018
Amortization of deferred stock-based compensation related to options granted to employees	122	203	8,177
Decrease (increase) in accounts receivable and prepaid expenses	117	128	(826)
Increase (decrease) in trade payables and convertible note	98	(112)	799
Increase in other accounts payable and accrued expenses	177	32	1,787
Revaluation of warrants	1,071	-	897
Erosion of restricted cash	-	-	(6)
Net cash used in continuing operating activities	(391)	(670)	(18,708)
Net cash used in discontinued operating activities	-	-	(23)
Total net cash used in operating activities	(391)	(670)	(18,731)
Cash flows from investing activities:			
Purchase of property and equipment	(94)	(20)	(1,425)
Restricted cash	-	-	6
Changes in short-term deposit	-	997	-
Investment in lease deposit	9	(6)	(13)
Net cash (used in) provided by continuing investing activities	(85)	971	(1,432)
Net cash used in discontinued investing activities	-	-	(16)
Total net cash (used in) provided by investing activities	(85)	971	(1,448)

Cash flows from financing activities:			
Proceeds from issuance of Common stock, net	-	250	20,918
Proceeds from loans, notes and issuance of warrants, net	-	-	2,061
Proceeds from exercise of warrants and options	-	-	785
Repayment of short-term loans	-	-	(601)
Net cash provided by continuing financing activities	-	250	23,163
Net cash provided by discontinued financing activities	-	-	43
Total net cash provided by financing activities	-	250	23,206
Increase (decrease) in cash and cash equivalents	(476)	551	3,027
Cash and cash equivalents at the beginning of the period	3,503	1,317	-
Cash and cash equivalents at end of the period	3,027	1,868	3,027

(*) **Out of the which, cash flows used in discontinued operating activities of $36, cash flows used in discontinued investing activities of $16 and cash flows provided in discontinued financing activities of $57, relating to the period from inception to March 31, 2004, is unaudited.**

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

U.S. dollars in thousands

(Except share data)

Notes to Consolidated Financial Statements

NOTE 1 - GENERAL

A. Brainstorm Cell Therapeutics Inc. (formerly: Golden Hand Resources Inc. - the "Company") was incorporated in the State of Washington on September 22, 2000.

B. On May 21, 2004, the former major stockholders of the Company entered into a purchase agreement with a group of private investors, who purchased from the former major stockholders 6,880,000 shares of the then issued and outstanding 10,238,000 shares of the Company’s Common Stock, $0.00005 par value (the “Common Stock”).

C. On July 8, 2004, the Company entered into a licensing agreement with Ramot of Tel Aviv University Ltd. ("Ramot"), to acquire certain stem cell technology (see Note 4). Subsequent to this agreement, the Company decided to focus on the development of novel cell therapies for neurodegenerative diseases based on the acquired technology and research to be conducted and funded by the Company.

Following the licensing agreement dated July 8, 2004, the management of the Company decided to abandon all old activities related to the sale of the digital data recorder product. The discontinuation of this activity was accounted for under the provision of Statement of Financial Accounting Standard ASC 360-10, "Accounting for the Impairment or Disposal of Long-Lived Assets".

D. On October 25, 2004, the Company formed a wholly-owned subsidiary in Israel, Brainstorm Cell Therapeutics Ltd. ("BCT").

E. On November 18, 2004, the Company changed its name from Golden Hand Resources Inc. to Brainstorm Cell Therapeutics Inc. to better reflect its new line of business in the development of novel cell therapies for neurodegenerative diseases. BCT, as defined above, owns all operational property and equipment.

The Common Stock is registered and publicly traded on the OTC Markets Group service of the National Association of Securities Dealers, Inc. under the symbol BCLI.

F. On September 17, 2006, the Company changed the Company's fiscal year-end from March 31 to December 31.

G. In December 2006, the Company changed its state of incorporation from Washington to Delaware.

H. Since its inception, the Company has devoted substantially all of its efforts to research and development, recruiting management and technical staff, acquiring assets and raising capital. In addition, the Company has not generated revenues. Accordingly, the Company is considered to be in the development stage, as defined in "Accounting and reporting by development Stage Enterprises" ASC 915-10.

I. In October 2010, the Israeli Ministry of Health (“MOH”) granted clearance for a Phase I/II clinical trial using the Company’s autologous NurOwn stem cell therapy in patients with amyotrophic lateral sclerosis (“ALS”), subject to some additional process specifications as well as completion of the sterility validation study for tests performed.

On February 23, 2011, the Company submitted, to the MOH, all the required documents. Following approval of the MOH, a Phase I/II clinical study for ALS patients using the Company’s autologous NurOwn stem cell therapy (the “Clinical Trial”) was initiated in June 2011.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

U.S. dollars in thousands

(Except share data)

Notes to Consolidated Financial Statements

NOTE 1 - GENERAL (Cont.):

J. In February 2011, the U.S. Food and Drug Administration ("FDA") granted orphan drug designation to the Company's NurOwn autologous adult stem cell product for the treatment of ALS.

K. On February 19, 2013, Brainstorm Ltd established a wholly-owned subsidiary, Brainstorm Cell Therapeutics UK Ltd. ("Brainstorm UK"). Brainstorm UK will act on behalf of the parent Company in the EU.

L. On February 21, 2013, Brainstorm UK filed a request for Orphan Medicinal Product Designation by the European Medicine Agency (EMA) for its Autologous Bone Marrow derived Mesenchyme Stromal cells Secreting Neurotropic factors (MSC-NTF, NurOwn).

M. Effective April 3, 2013, BCT entered into an agreement with Dana-Farber Cancer Institute ("Dana-Farber") to provide cGMP-compliant clean room facilities for production of the Company's NurOwn™ stem cell candidate during its upcoming Phase II ALS trial in the United States. The Company's Phase II trial, will be conducted at Massachusetts General Hospital ("MGH"), the University of Massachusetts ("UMass") Hospital and the Mayo Clinic. The Connell and O'Reilly Cell Manipulation Core Facility at Dana-Farber will produce NurOwn for the MGH and UMass Hospital clinical sites.

N. On April 18, 2013, the stockholders of the Company authorized the Board of Directors of the Company, in its discretion, should it deem it to be appropriate and in the best interests of the Company and its stockholders, to amend the Company's Certificate of Incorporation to effect a reverse stock split of the Company's issued and outstanding shares of common stock by a ratio of between 1-for-10 and 1-for-20, inclusive, without further approval or authorization of the Company's stockholders. A reverse stock split of the Company's shares wasn't performed and this authorization expired April 18, 2014.

O. On July 17, 2013, the European Commission granted Orphan Drug Designation to the Company's NurOwn autologous adult stem cell product for the treatment of ALS.

P. On September 27, 2013, the Company announced that it recently completed treatment of the 12 patients in its ALS Phase IIa dose-escalating clinical trial with the Company’s NurOwn™ technology. The Company was informed that one patient in the study expired due to a medical condition unrelated to the Clinical Trial.

The Clinical Trial is being performed at Hadassah Medical Center in Jerusalem, Israel, under the direction of Prof. Dimitrios Karussis, M.D., Ph.D., head of Hadassah's Multiple Sclerosis Center and a member of the International Steering Committees for Bone Marrow and Mesenchymal Stem Cells Transplantation in Multiple Sclerosis (MS). The study is designed to establish the safety and preliminary efficacy of NurOwn at increasing dosages.

Q. On December 4, 2013, a Notice of Intention to Grant from the European Patent Office (EPO) was issued for the Company's patent application entitled "Isolated Cells and Populations Comprising Same for the Treatment of CNS Diseases" (European serial number EP06766101.7) . This patent relates to the production method for the company's proprietary stem cells induced to secrete large quantities of neurotrophic factors for the treatment of neurodegenerative diseases.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

U.S. dollars in thousands

(Except share data)

Notes to Consolidated Financial Statements

NOTE 1 - GENERAL (Cont.):

R. On February 11, 2014, a Notice of Allowance was issued from the U.S. Patent Office for the same patent application as above, U.S. serial number 11/727,583.

S. On March 4, 2014, a Notice of Allowance was issued from the U.S. Patent Office for the same patent application as above, U.S. serial number 12/994,761.

T. On March 14, 2013, the Company signed a definitive agreement with the Mayo Clinic in Rochester, Minnesota to conduct its Phase II clinical trial of NurOwn™ in amyotrophic lateral sclerosis (ALS), pending FDA approval. In addition, Mayo's Human Cell Therapy Laboratory will manufacture the NurOwn cells for their clinical trial participants.

U. On March 24, 2014, BCT signed a definitive agreement with the Massachusetts General Hospital (MGH) in Boston, MA to conduct a Phase II clinical trial of NurOwn™ in amyotrophic lateral sclerosis (ALS), pending FDA approval.

V. On April 28, 2014 the Company announced that the US Food and Drug Administration (FDA) has approved commencement of its Phase II clinical trial with NurOwn™ in patients with Amyotrophic Lateral Sclerosis (ALS). The trial will be launched initially at the Massachusetts General Hospital (MGH) in Boston, MA and the University of Massachusetts Memorial (UMass) Hospital in Worcester, MA following Institutional Review Board (IRB) approvals. Dana-Farber Cancer Institute's Connell O'Reilly Cell Manipulation Core Facility will manufacture the NurOwn™ cells for these two clinical sites. The trial will also be conducted at the Mayo Clinic in Rochester, Minnesota. (See Note 7E).

GOING CONCERN:

As reflected in the accompanying financial statements, the Company’s operations for the three months ended March 31, 2014, resulted in a net loss of $2,111. The Company’s balance sheet reflects an accumulated deficit of $54,518. These conditions, together with the fact that the Company is a development stage Company and has no revenues nor are revenues expected in the near future, raise substantial doubt about the Company's ability to continue to operate as a going concern. The Company’s ability to continue operating as a “going concern” is dependent on several factors, among them is its ability to raise sufficient additional working capital.

In 2009, the Company decided to focus only on the effort to commence clinical trials for ALS and such trials did commence in 2011.

In July 2012, the Company raised $5.7 million, gross, in a public offering (See Note 6B 1 (i)). In August 2013, the Company raised $4 million, gross, in a public offering (See Note 6B 1 (l)). However, there can be no assurance that additional funds will be available on terms acceptable to the Company, or at all.

These financial statements do not include any adjustments relating to the recoverability and classification of assets, carrying amounts or the amount and classification of liabilities that may be required should the Company be unable to continue as a going concern.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2013 are applied consistently in these financial statements.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

U.S. dollars in thousands

(Except share data)

Notes to Consolidated Financial Statements

NOTE 3 - UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements have been prepared in a condensed format and include the consolidated financial operations of the Company and its wholly-owned subsidiary as of March 31, 2014 and for the three months then ended, in accordance with accounting principles generally accepted in the United States relating to the preparation of financial statements for interim periods. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2014, are not necessarily indicative of the results that may be expected for the year ended December 31, 2014.

NOTE 4 - RESEARCH AND LICENSE AGREEMENT

The Company has a Research and License Agreement, as amended and restated, with Ramot. The Company obtained a waiver and release from Ramot pursuant to which Ramot agreed to an amended payment schedule regarding the Company's payment obligations under the Research and License Agreement and waived all claims against the Company resulting from the Company's previous defaults and non-payment under the Research and License Agreement. The waiver and release amended and restated the original payment schedule under the original agreement providing for payments during the initial research period and additional payments for any extended research period.

The Company is to pay Ramot royalties on Net Sales on a Licensed Product by Licensed Product and jurisdiction by jurisdiction basis as follow:

a) So long as the making, producing, manufacturing, using, marketing, selling, importing or exporting of such Licensed Product is covered by a Valid Claim or is covered by Orphan Drug Status in such jurisdiction – 5% of all Net Sales.

b) In the event the making, producing, manufacturing, using, marketing, selling, importing or exporting of such Licensed Product is not covered by a Valid Claim and not covered by Orphan Drug status in such jurisdiction – 3%

of all Net Sales until the expiration of 15 years from the date of the First Commercial Sale of such Licensed Product in such jurisdiction.

NOTE 5 - 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"), under which the Consultants 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. As of September 2010, all the above warrants had been exercised. In June 2012 an amendment was signed with Dr. Daniel Offen, according to which the company pays Daniel Offen a monthly payment of $6, out of which $3 in cash and $3 by grant of Company stock.

B. On December 16, 2010, the Company approved grants of an aggregate 1,100,000 shares of Common Stock to the two Consultants, for services rendered through December 31, 2010. Related compensation in the amount of $220 was recorded as research and development expense. A sum of $487 was cancelled concurrently with the issuance of the 1,100,000 shares of Common Stock of the Company.

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U.S. dollars in thousands

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Notes to Consolidated Financial Statements

NOTE 5 - CONSULTING AGREEMENTS (Cont.):

C. On June 27, 2011, the Company approved an additional grant of 400,000 shares of Common Stock to Prof. Daniel Offen, for services rendered through December 31, 2009. Related compensation in the amount of $192 was recorded as research and development expense.

D. On August 1, 2012, the Company approved additional grants of an aggregate 623,077 shares of Common Stock to the Consultants, for services rendered from January 1, 2011 through June 30, 2012. Related compensation in the amount of $162 was recorded as research and development expense.

E. On January 16, 2013, the Company granted the Consultants an aggregate of 216,000 shares of Common Stock for their services from January 1, 2012 through December 31, 2012. Related compensation in the amount of $54 was recorded as research and development expense.

F. On November 13, 2013, the Company approved grants of an aggregate 450,000 shares of Common Stock to the Consultants, for services rendered during January 1, 2013 through September 30, 2013 (the “2013 Shares”).

G. On March 24, 2014, the Company approved grants of an aggregate 90,000 shares of Common Stock to the Consultants for services rendered in 2014, and issued such shares together with the 2013 Shares.

NOTE 6 - 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 OTC Markets Group service of the National Association of Securities Dealers, Inc. under the symbol BCLI.

B. Issuance of shares, warrants and options:

1. Private placements and public offering:

(a) During 2004 and 2005 the Company issued, in separate transactions, 8,861,875 shares of Common Stock of the Company for total proceeds of $308

(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 consisted 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. All warrants are no longer valid

(c) On August 11, 2005, the Company signed a private placement agreement with investors for the sale of up to 1,250,000 units at a price of $0.80 per unit. Each unit consisted of one share of Common Stock and one warrant to purchase one share of Common Stock at $1.00 per share. The warrants were 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. All warrants are no longer valid.

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(A development stage company)

U.S. dollars in thousands

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Notes to Consolidated Financial Statements

NOTE 6 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.):

1. Private placements and public offering: (Cont.):

(d) In July 2007, the Company entered into an investment agreement, that was amended in August 2009, according to which for an aggregate subscription price of up to $5 million, the Company issued 41,666,667 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 20,166,667 shares of common stock at an exercise price of $0.29 per share. The warrants may be exercised at any time and expire on November 5, 2013. In May 2012 the warrants were extended by additional 18 months, through May 5, 2015.

In January 2011, the Company and an investor signed an agreement to balance the remaining amount due to the investor, totaling $20, against the remaining balance of the investment and the Company issued the above shares and warrants.

In addition, the Company issued an aggregate of 1,250,000 shares of Common Stock to a related party as an introduction fee for the investment. As of the balance sheet date, no warrants have been exercised.

(e) In January 2010, the Company issued 1,250,000 units to a private investor for total proceeds of $250. Each unit consisted of one share of Common Stock and a two-year warrant to purchase one share of Common Stock at $0.50 per share. All warrants are no longer valid.

(f) In February 2010, the Company issued 6,000,000 shares of Common Stock to three investors (2,000,000 to each investor) and warrants to purchase an aggregate of 3,000,000 shares of Common Stock (1,000,000 to each investor)

with an exercise price of $0.50 for aggregate proceeds of $1,500 ($500 each).

(g) In February 2011, the Company issued 833,333 shares of Common Stock, at a price of $0.30 per share, and a warrant to purchase 641,026 shares of Common Stock at an exercise price of $0.39 per share exercisable for one year for total proceeds of $250. The warrants are no longer valid.

(h) On February 23, 2011, the Company entered into an investment agreement, pursuant to which the Company agreed to sell up to 12,815,000 shares of Common Stock, for an aggregate subscription price of up to $3.6 million and warrants to purchase up to 19,222,500 shares of Common Stock as follows: warrant to purchase 12,815,000 shares of Common Stock at $0.5 per share for two years, and warrants to purchase 6,407,500 shares of Common Stock at $0.28 per share for one year, out of which 946,834 were exercised, and 5,460,666 were cancelled.

In addition, the Company agreed to pay 10% of the funds received for the distribution services received, out of this amount, 4% was be paid in stock and the remaining 6% in cash. Accordingly, in March 2011, the Company issued 512,600 shares of Common Stock and paid $231.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

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Notes to Consolidated Financial Statements

NOTE 6 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.):

1. Private placements and public offering: (Cont.):

(i) On July 17, 2012, the Company raised a $5.7 million gross proceeds through a public offering ("2012 Public Offering") of its common stock. The Company issued a total of 19,818,968 common stock of $0.00005 par value, ($0.29 per share) and 14,864,228 warrants to purchase 0.75 shares of Common Stock for every share purchased in the Public Offering, at an exercise price of $0.29 per share. The Warrants are exercisable until the 30 month anniversary of the date of issuance. After deducting closing costs and fees, the Company received net proceeds of approximately $4.9 million.

The Company paid to the Placement Agency, Maxim Group LLC (the "Placement Agent"), a cash fee and a corporate finance fee equal to 7% of the gross proceeds of the Public Offering. In addition, the Company issued to the Placement Agent a two year warrant to purchase up to 493,966 shares of Common Stock (equal to 3% of the number of shares sold in the Public Offering), with an exercise price equal to $0.348 (120% of the Public offering price). The Warrants are exercisable until the 30 month anniversary of the date of issuance. In addition, the Company issued to Leader Underwriters (1993) Ltd, warrants to purchase 232,758 shares of Common stock, at an exercise price of $0.29 per share. The warrants are exercisable until the 30 month anniversary of the date of issuance.

(j) On February 4, 2013, the Company issued 126,111 shares of Common Stock to an investor, according to a settlement agreement, for the correction of the conversion rate of a $200 convertible loan. The convertible loan was issued in 2006 and converted in 2010.

(k)

On February 7, 2013, the Company issued 833,334 units to a private investor for total proceeds of $250. Each unit consisted of one share of Common Stock and a warrant to purchase one share of Common Stock at $0.50 per share exercisable for 32 months.

(l) On August 16, 2013, the Company raised $4 million (gross) through a registered public offering ("2013 Public Offering") of its common stock. The Company issued a total of 23,529,411 common stock of $0.00005 par value, ($0.17 per share) and 17,647,058 warrants to purchase 0.75 shares of Common Stock for every share purchased in the Public Offering, at an exercise price of $0.25 per share. The Warrants are exercisable until the 36 month anniversary of the date of issuance. The Warrants also include, subject to certain exceptions, full ratchet anti-dilution protection in the event of the issuance of any common stock, securities convertible into common stock, or certain other issuances at a price below the then-current exercise price of the Warrants, which would result in an adjustment to the exercise price of the Warrants. In the event of a sale of the Company, each holder of Warrants has the right, exercisable at its option, to require the Company to purchase such holder's Warrants at a price determined using a Black-Scholes option pricing model as described in the Warrants. After deducting closing costs and fees, the Company received net proceeds of approximately $3.3 million.

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Notes to Consolidated Financial Statements

NOTE 6 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.):

1. Private placements and public offering: (Cont.):

In accordance with the provisions of ASC 815 (formerly FAS 133) the proceeds related to the warrants at the amount of $829 were recorded to liabilities at the fair value of such warrants as of the date of issuance, and the proceeds related to common stocks of 2,496 were recorded to equity.

As of March 31, 2014, the fair value of such warrants was presented as a liability at its fair value $1,726 as of such date.

After the balance sheet date, on April 25, 2014, the Company entered into agreements with holders of warrants originally issued in the Company's August 16, 2013 public offering (the "2013 Warrants") to exchange outstanding 2013 Warrants entitling the holders to purchase an aggregate of 11,662,059 shares of Company common stock, $0.00005 par value for an aggregate of 5,831,031 unregistered shares of Common Stock. After the exchange, the 2013 Warrants were cancelled and of no further force and effect. (See Note 7D).

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 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. Brainstorm plans to adopt new plans at the upcoming stockholders meeting. 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 years. Any options that are canceled or forfeited before expiration become available for future grants.

In June 2008, June 2011 and in June 2012, the Company's stockholders approved increases in the number of shares of common stock available for issuance under these stock option plans by 5,000,000, 5,000,000 and 9,000,000 shares, respectively.

From 2005 through 2009, the Company granted its directors options to purchase 800,000 (in total) shares of Common Stock of the Company at an exercise price of $0.15 per share. The options are fully vested and will expire after 10 years.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

U.S. dollars in thousands

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Notes to Consolidated Financial Statements

NOTE 6 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.):

2. Share-based compensation to employees and to directors: (Cont.):

(a) Options to employees and directors: (Cont.):

On June 22, 2006, the Company entered into an amendment to the Company's option agreement with two of its employees. The amendment changed 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 options.

On October 23, 2007, the Company granted to its former Chief Executive Officer an option to purchase 1,000,000 shares of Common Stock at an exercise price of $0.87 per share. On November 5, 2008, the Company amended the exercise price to $0.15 per share. The option is fully vested and expires after 10 years. The total compensation related to the option is $737, which was recorded as general and administrative expense. The options were all exercised for $150.

On June 29, 2009, the Company granted to its former Chief Executive Officer and director an option to purchase 1,000,000 shares of Common Stock at an exercise price of $0.067 per share. The option vests with respect to 1/3 of the shares subject to the option on each anniversary of the date of grant and expires after 10 years. Out of which 483,333 were exercised for $32 and 516,667 were cancelled.

The total compensation related to the option is $68, which is amortized over the vesting period as general and administrative expense. In February 2011, the former CEO resigned. On July 25, 2011, the Company signed a settlement agreement with the former CEO under which 483,333 shares out of the above grant became fully vested and exercisable through April 30, 2012. An additional $30 was written as compensation in general and administrative expense.

In April 2012, the former CEO exercised the option to 483,333 shares of Common Stock for an exercise price of $32.

On June 29, 2009, the Company granted to its former Chief Financial Officer an option to purchase 200,000 shares of Common Stock at an exercise price of $0.067 per share. The option vested with respect to 1/3 of the shares subject to the option. In connection with the former Chief Financial Officer’s resignation, 2/3 of the above shares were cancelled and the remaining 66,667 were exercised for $4.

On April 13, 2010, the Company, Abraham Israeli and Hadasit Medical Research Services and Development Ltd. (“Hadasit”) entered into an Agreement (as amended, the “Hadasit Agreement”) pursuant to which Prof. Israeli agreed, during the term of the Hadasit Agreement, to serve as (i) the Company’s Clinical Trials Advisor and (ii) a member of the Company’s Board of Directors.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

U.S. dollars in thousands

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Notes to Consolidated Financial Statements

NOTE 6 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.):

2. Share-based compensation to employees and to directors: (Cont.):

(a) Options to employees and directors: (Cont.):

In consideration of the services to be provided by Prof. Israeli to the Company under the Hadasit Agreement, the Company agreed to grant equity annually during the term of the Hadasit Agreement for the purchase of its Common Stock, as follows:

- An option for the purchase of 166,666 shares of Common Stock at an exercise price equal to $0.00005 per share to Prof. Israeli; and
- A warrant for the purchase of 33,334 shares of Common Stock at an exercise price equal to $0.00005 per share to Hadasit,

Such options and warrants will vest and become exercisable in twelve (12) consecutive equal monthly amounts.

Accordingly, the Company granted to Prof. Israeli in each of April 2010, June 2011, April 2012 and April 2013, an option to purchase 166,666 shares of Common Stock at an exercise price equal to $0.00005 per share. The aggregated compensation related to such warrants recorded as of December 31, 2012 is $126 was classified as general and administrative expense.

In addition, the Company granted Hadasit, in each of April 2010, June 2011, April 2012, and April 2013, a warrant to purchase 33,334 shares of Common Stock at an exercise price equal to $0.00005 per share. The aggregated compensation related to the options recorded as of December 31, 2012 is $24 was classified as general and administrative expense.

In December 2013, the Board of the Company agreed to grant to Prof. Israeli additional options in connection with the yearly grant under the Hadasit Agreement. Starting April 2014, the Company will grant a total of 360,000 options annually out of which Prof. Israeli will receive options to purchase up to 300,000 shares of Common Stock and Hadasit will receive options and warrants to purchase up to 60,000 shares of Common Stock.

Accordingly, on April 13, 2014, the Company granted to Hadasit an option to purchase 60,000 shares of Common Stock at an exercise price of $0.00005 per share. (See Note 7A)

In addition, on April 13, 2014, the Company granted to Prof. Israeli options to purchase up to an aggregate of 300,000 shares of Common Stock at an exercise price equal to $0.00005 per share. (See Note 7B)

On April 25, 2014 the Hadasit Agreement was terminated pursuant to notice given by Hadasit and Prof. Israeli, in connection with Prof. Israeli’s resignation from the Company. The Hadasit Agreement provided terms for Prof. Israeli’s service as the Company’s Clinical Trials Advisor and a member of the Company’s Board of Directors, both of which ceased on April 25, 2014.

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Notes to Consolidated Financial Statements

NOTE 6 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.):

2. Share-based compensation to employees and to directors: (Cont.):

(a) Options to employees and directors: (Cont.):

As a result of the termination of the Hadasit Agreement Prof. Israeli and Hadasit will no longer receive annual grants to purchase shares of Common Stock, and any outstanding and unvested grants made pursuant to the Hadasit Agreement will cease to vest, and the grants shall be valid until and may be exercised only on or before October 25, 2014. (See Note 7C).

On December 16, 2010, the Company granted to two of its directors an option to purchase 400,000 shares of Common Stock at an exercise price of $0.15 per share. The options are fully vested and are exercisable for a period of 10 years. The compensation related to the option, in the amount of $78, was recorded as general and administrative expense.

On December 16, 2010, the Company approved the grant to its three Scientific Board members 300,000 shares of Common Stock of the Company. The compensation related to the option, in the amount of $60, was recorded as research and development expense.

In January 2011, the Company granted to its former CEO, an option to purchase 450,000 shares of Common Stock of the Company at $0.20 per share. The total compensation related to the option is $177, which is amortized over the vesting period as general and administrative expense.

On June 27, 2011, the Company granted to three of its directors options to purchase an aggregate of 634,999 shares of Common Stock of the Company at $0.15 per share. The total compensation related to the option was $287, which is amortized over the vesting period as general and administrative expense.

On August 10, 2011, the Company granted to its CEO, an option to purchase 70,000 shares of Common Stock of the Company at $0.20 per share. The total compensation related to the option was $26, which was amortized as general and administrative expense.

On August 1, 2012, the Company granted to three of its directors options to purchase an aggregate of 460,000 shares of Common Stock of the Company at $0.15 per share. The total compensation related to the option was $105, which is amortized over the vesting period as general and administrative expense.

On August 1, 2012, the Company granted to its former CEO, an option to purchase 70,000 shares of Common Stock of the Company at $0.26 per share. The total compensation expense related to the option was $16, which was amortized as general and administrative expense.

On February 1, 2013, the Company granted its former Chief Executive Officer an option to purchase 4,000,000 shares of Common Stock at an exercise price of $0.29 per share.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

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U.S. dollars in thousands

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Notes to Consolidated Financial Statements

NOTE 6 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.):

2. Share-based compensation to employees and to directors: (Cont.):

(a) Options to employees and directors: (Cont.):

The option would have vested as to 1/3 of the shares subject thereto on January 24, 2014 and the remainder would have vested over the subsequent 36 consecutive months. On July 28, 2013, the former CEO informed the Company of his resignation from his position with the Company effective October 28, 2013. In connection with the former CEO's resignation on October 28, 2013, the above options were cancelled and the total compensation expense related to the option that was recorded as general and administrative expense was cancelled.

On April 19, 2013, the Company granted to three of its directors options to purchase an aggregate of 460,000 shares of Common Stock of the Company at $0.15 per share. The total compensation expense related to the options will be 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:

	For the three months ended March 31, 2014		
	Amount of options	Weighted average	Aggregate intrinsic

		exercise price $	value $
Outstanding at beginning of period	6,185,831	0.1705	
Granted	-	-	
Exercised	-	-	
Cancelled	-	-	
Outstanding at end of period	6,185,831	0.1705	677,348
Vested and expected-to-vest at end of period	5,193,609	0.1694	574,413

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 March 31, 2014 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 March 31, 2014.

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Notes to Consolidated Financial Statements

NOTE 6 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.):

2. Share-based compensation to employees and to directors: (Cont.):

(b) Restricted shares to directors:

During May 2006 through April 2007, the Company issued to its directors 400,000 restricted shares of Common Stock (100,000 each). The restrictions on the shares have fully lapsed. The compensation related to the stocks issued amounted to $198, which was amortized over the vesting period as general and administrative expenses.

On August 27, 2008, the Company issued to its director 960,000 shares of Common Stock upon a cashless exercise by a shareholder of a warrant to purchase 1,000,000 shares of Common Stock at an exercise price of $.01 per share that was acquired by the shareholder from Ramot. The shares were allocated to the director by the shareholder.

In May and June 2010, based on a board resolution dated June 29, 2009, the Company issued to three directors, three of its Scientific Advisory Board members and two of its Advisory Board members 800,000 restricted shares of Common Stock. The shares will vest in three annual and equal portions commencing with the grant date.

On December 16, 2010, the Company approved a grant to two of its directors 400,000 (total) shares of Common Stock. Related compensation in the amount of $80 was recorded as general and administrative costs in 2010. These shares were actually granted in June 2011, and an additional related compensation in the amount of $112 was recorded as general and administrative expense.

On June 27, 2011, the Company granted to two of its directors 476,666 (total) shares of Common Stock, which shares are fully vested as of March 31, 2013. Related compensation in the amount of $229 will be recorded as general and administrative expense.

On August 22, 2011, the Company entered into an agreement with Chen Schor (the “Executive Director Agreement”) pursuant to which the Company granted to Mr. Schor 923,374 shares of restricted Common Stock of the Company. The shares will vest over 3 years - 1/3 upon each anniversary of the Grant Date. In addition, the Company will pay $15 per quarter to Mr. Schor for his services as an Executive Board Member.

In August 2011, the Company issued to three of its Scientific Advisory Board members and three of its Advisory Board members a total of 300,000 restricted shares of Common Stock. The shares will vest in equal monthly portions over the service period.

In November 2011, the Company issued to four of its Advisory Board members a total of 500,000 restricted shares of Common Stock. The shares will vest in equal monthly portions over the service period.

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Notes to Consolidated Financial Statements

NOTE 6 - STOCK CAPITAL (Cont.):

C. Issuance of shares, warrants and options: (Cont.):

2. Share-based compensation to employees and to directors: (Cont.):

(a) Restricted shares to directors: (Cont.):

In addition, in November 2011, the Company issued to a former director 250,000 shares of Common Stock. Related compensation in the amount of $70 was recorded as general and administrative expense.

In August 2012, the Company issued to two directors, four of its Scientific Advisory Board members and three of its Advisory Board members a total of 885,000 restricted shares of Common Stock.

The shares will vest in 12 equal monthly portions over the service period. Related compensation in the amount of $198 was recorded as general and administrative expense.

On April 19, 2013, the Company issued to two of its directors and four of its Advisory Board members a total of 760,000 restricted shares of Common Stock. The shares will vest in 12 equal monthly portions until fully vested on the anniversary of grant. Related compensation expense in the amount of $175 will be recorded as general and administrative expense.

3. Shares and warrants to investors and service providers:

The Company accounts for shares and warrant grants issued to non-employees using the guidance of ASC 505-50, "Equity-Based Payments to Non-Employees" (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.

a) Warrants to investors and service providers and investors:

The fair value for the warrants to service providers was estimated on the measurement date determined using a Black-Scholes option pricing model, with the following weighted-average assumptions for the year ended December 31, 2010; weighted average volatility of 140%, risk free interest rates of 2.39%-3.14%, dividend yields of 0% and a weighted average life of the options of 5-5.5 and 1-9 years. There were no grants to service providers during 2012 and 2013 using Black-Scholes calculation.

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Notes to Consolidated Financial Statements

NOTE 6 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.):

3. Shares and warrants to service providers: (Cont.):

(a) Warrants to investors and service providers and investors: (Cont.):

Issuance date	Number of warrants issued	Exercised	Forfeited	Outstanding	Exercise Price $	Warrants exercisable	Exercisable through
November-December 2004	14,600,845	14,396,010	204,835	-	0.00005 - 0.01	-	-
February-December 2005	3,058,471	173,000	2,548,308	337,163	0.15 - 2.5	337,163	Jun - Dec 2015
February-December 2006	1,686,355	727,696	478,659	480,000	0.005 – 1.5	480,000	Feb - May 2016
March 2007	14,803,300		1,003,300	13,800,000	0.15 - 0.47	13,800,000	May 2015 – Oct 2017
April 2008	9,175,000			9,175,000	0.15 - 0.29	9,175,000	May 2015 – Sep 2018
Apr-Oct 2009	4,937,500	100,000		4,837,500	0.067 – 0.29	4,837,500	May 2015 – Oct 2019
January 2010	1,250,000		1,250,000	-	0.5	-	-
February 2010	125,000	125,000		-	0.01	-	-
February 2010	3,000,000		3,000,000	-	0.5	-	-
February 2010	1,500,000			1,500,000	0.001	1,000,000	Feb 2020
April 2010	33,334			33,334	0.00005	33,334	Apr 2020
January 2011	4,537,500			4,537,500	0.29	4,537,500	May 2015
February 2011	641,026		641,026	-	0.39	-	-

February 2011	6,407,500	946,834	5,460,666	-	0.28	-	-
February 2011	12,815,000		12,815,000	-	0.5	-	-
April 2011	33,334			33,334	0.00005	33,334	Apr 2021
April 2012	33,334			33,334	0.00005	33,334	Apr 2022
July 2012	493,966			493,966	0.348	493,966	Jul 2014
July 2012	232,758			232,758	0.29	232,758	Jan 2015
July 2012	14,864,228			14,864,228	0.29	14,864,228	Jan 2015
Feb 2013	833,334			833,334	0.5	833,334	Oct 2015
April 2013	33,334			33,334	0.00005	30,556	April 2023
August 2013	17,647,058			17,647,058	0.25	17,647,058	August 2016
	112,742,177	16,468,540	27,401,794	68,871,843		68,369,065	

(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, was 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.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

U.S. dollars in thousands

(Except share data)

Notes to Consolidated Financial Statements

NOTE 6 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.):

3. Shares and warrants to service providers: (Cont.):

(b) Shares: (Cont.):

On February 10, 2005, the Company signed an agreement with one of its service providers under which the Company issued to 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. All restrictions on these shares have lapsed.

In March and in April 2005, the Company signed an agreement with four members of its Scientific Advisory Board under 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). All restrictions on these shares have lapsed.

Between the years 2004 through 2009, the Company issued to several services providers, in separate transactions, 3,045,508 shares of Common Stock in total. The total related compensation, in the amount of $758, was recorded as general and administrative expense.

On March 5, 2007, the Company issued a $150 Convertible Promissory Note to a third party. Interest on the note accrued at the rate of 8% per annum for the first year and 10% per annum after the first year. On January 27, 2010, the third party converted the entire accrued principle and interest outstanding under the note, amounting to $189, into 1,016,109 shares of Common Stock.

On October 29, 2007, the Company issued to a Scientific Advisory Board member 80,000 shares of Common Stock for scientific services. Compensation of $67 was recorded as research and development expense.

On May 20, 2008, the Company issued to its finance advisor 90,000 shares Common Stock. The shares are for $35 payable to the finance advisor for introduction fee of past convertible loans. Related compensation in the amount of $36 is recorded as finance expenses.

On April 5, 2009, the Company issued to its Chief Technology Advisor 1,800,000 shares of Common Stock. The shares are for $180 payable to the advisor. Related compensation in the amount of $144 was recorded as research and development expense.

On October 1, 2009, the Company issued to its service provider 150,000 shares of Common Stock. The shares are for financial and investor relation services done by the provider. Related compensation in the amount of $51 is recorded as general and administrative expense.

On October 2, 2009, the Company issued to its service provider 1,250,000 shares of Common Stock. The shares are for investor and public relation services.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

U.S. dollars in thousands

(Except share data)

Notes to Consolidated Financial Statements

NOTE 6 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.):

3. Shares and warrants to service providers: (Cont.):

(b) Shares: (Cont.):

Related compensation in the amount of $400 was recorded as general and administrative expense.

On December 30, 2009, the Company issued to Ramot 1,120,000 shares of Common Stock (See Note 4).

On December 13, 2009, the Company issued a $135 Convertible Promissory Note to it legal advisor for $217 in legal fees accrued through October 31, 2009. Interest on the note accrued at the rate of 4%.

On January 5, 2010, the Company issued to its public relations advisor 50,000 shares of Common Stock for six months service. The issuance of the shares is part of the agreement with the public relations advisor that entitles it to a monthly grant of 8,333 shares of Common Stock. Related compensation in the amount of $12 was recorded as general and administrative expense.

On January 6, 2010, the Company issued to its service provider 60,000 shares of Common Stock. The shares are for $15 payable to the service provider for insurance and risk management consulting and agency services for three years. Related compensation in the amount of $16 was recorded as general and administrative expense.

On February 19, 2010, the Company's legal advisor converted the entire accrued principal and interest amount outstanding under the note into 402,385 shares of Common Stock.

On April 6, 2010, Prof. Melamed fully exercised his warrant to purchase 1,097,215 shares of Common Stock. The warrant was issued to him pursuant to the agreement with the Consultants effective as of November 4, 2004 (See Note 5a).

In May 2010, based on a board resolution dated June 29, 2009, the Company issued to one of its public relations advisors 100,000 restricted shares of Common Stock. The shares will vest in three annual and equal portions commencing with the grant date.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

U.S. dollars in thousands

(Except share data)

Notes to Consolidated Financial Statements

NOTE 6 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.):

3. Shares and warrants to service providers: (Cont.):

(b) Shares: (Cont.):

On December 16, 2010, the Company granted to its service provider 200,000 shares of Common Stock. The shares are for investor and public relations services. Related compensation in the amount of $40 was recorded as general and administrative expense.

On December 16, 2010, the Company granted to its two consultants 1,100,000 shares of Common Stock (See Note 5B).

On February 18, 2011, the Company's legal advisor converted the entire accrued principal and interest of the Convertible Promissory Note granted on September 15, 2010, totaling $137, into 445,617 shares of Common Stock.

On June 27, 2011, the Company granted to its legal advisor 180,000 shares of Common Stock for 2011 legal services. Related compensation in the amount of $86 was recorded as general and administrative expense.

On June 27, 2011, the Company granted to its consultant 400,000 shares of Common Stock, for services rendered through December 31, 2009.

Related compensation in the amount of $192 was recorded as research and development expense.

On June 27, 2011, the Company granted to a service provider 10,870 shares of Common Stock. Related compensation in the amount of $5 was recorded as general and administrative expense.

On December 31, 2011, the Company issued to Hadasit warrants to purchase up to 1,500,000 restricted shares of Common Stock at an exercise price of $0.001 per share, exercisable for a period of 5 years. The warrants shall vest over the course of the trials as follows: 500,000 upon enrollment of 1/3 of the patients; an additional 500,000 upon enrollment of all the patients and the final 500,000 upon completion of the study.

On August 1, 2012, the Company approved an additional grant of 623,077 shares of Common Stock to the Consultants, for services rendered from January 1, 2011 through June 30, 2012. Related compensation in the amount of $162 was recorded as research and development expense.

On January 16, 2013, the Company granted an aggregate of 216,000 shares of Common Stock of the Company to two consultants, for services rendered through December 31, 2012. Related compensation expense in the amount of $54 was recorded as research and development expense.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

U.S. dollars in thousands

(Except share data)

Notes to Consolidated Financial Statements

NOTE 6 - STOCK CAPITAL (Cont.):

B. Issuance of shares, warrants and options: (Cont.):

3. Shares and warrants to service providers: (Cont.):

(b) Shares: (Cont.):

On February 4, 2013, the Company issued 126,111 shares of Common Stock to an investor, according to a settlement agreement, for the correction of the conversion

rate of a $200 convertible loan. The convertible loan was issued in 2006 and converted in 2010.

On March 11, 2013, the Company granted to its legal advisor 193,696 shares of Common Stock for 2013 legal services. As of December 31, 2013, related compensation expense in the amount of $22 was recorded as general and administrative expense.

On November 13, 2013, the Company approved a grant of 450,000 shares of Common Stock to the Consultants, for services rendered during January 1, 2013 through September 30, 2013 (the “2013 Shares”). On March 24, 2014, the Company approved grants of an aggregate of 90,000 shares of Common Stock to the Consultants for services rendered in 2014, and issued such shares together with the 2013 Shares.

On March 11, 2013, the Company granted to two of its service providers an aggregate of 400,000 shares of Common Stock. The shares are public relations services. As of December 31, 2013, related compensation expense in the amount of $92 was recorded as general and administrative expense.

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

	Three months ended March 31,		Period from September 22, 2000 (inception date) through March 31,
	2014	2013	2014
	U.S. $ in thousands		
Research and development	128	75	17,999
General and administrative	104	226	11,529
Financial expenses, net	-	-	248
Total stock-based compensation expense	232	301	29,776

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

U.S. dollars in thousands

(Except share data)

Notes to Consolidated Financial Statements

NOTE 7 - SUBSEQUENT EVENTS

A. On April 13, 2014, pursuant to the Hadasit Agreement, and pursuant to the December 2013 letter from the Company to Prof. Israeli, the Company issued to Hadasit a warrant to purchase 60,000 shares of its Common Stock at an exercise price of $0.00005 per share.

B. In addition, on April 13, 2014, pursuant to the Hadasit Agreement, and pursuant to the December 2013 letter from the Company to Prof. Israeli, the Company issued to Prof. Israeli, a warrant to purchase 300,000 shares of its Common Stock at an exercise price of $0.00005 per share.

C. On April 25, 2014 the Agreement by and among the Company, Prof. Abraham Israeli and Hadasit Medical Research Services and Development Ltd. ("Hadasit"), dated April 13, 2010 and amended December 31, 2011 (as amended, the "Agreement") was terminated pursuant to notice given by Hadasit and Prof. Israeli, in connection with Prof. Israeli's resignation from the Company. The Agreement provided terms for Prof. Israeli's service as the Company's Clinical Trials Advisor and a member of the Company's Board of Directors, both of which ceased on April 25, 2014. As a result of the termination of the Agreement Prof. Israeli and Hadasit will no longer receive annual grants to purchase shares of Common Stock, and any outstanding and unvested grants made pursuant to the Agreement will cease to vest, and the grants shall be valid until and may be exercised only on or before October 25, 2014.

D. On April 25, 2014, the Company entered into agreements with holders of warrants originally issued in the Company's August 16, 2013 public offering (the "2013 Warrants") to exchange outstanding 2013 Warrants entitling the holders to purchase an aggregate of 11,662,059 shares of Company common stock, $0.00005 par value for an aggregate of 5,831,031 unregistered shares of Common Stock. After the exchange, the 2013 Warrants were cancelled and of no further force and effect.

E. On April 28, 2014, the Company announced that the US Food and Drug Administration (FDA) has approved commencement of its Phase II clinical trial with NurOwn™ in patients with Amyotrophic Lateral Sclerosis (ALS). The trial will be launched initially at the Massachusetts General Hospital (MGH) in Boston, MA and the University of Massachusetts Memorial (UMass) Hospital in Worcester, MA following Institutional Review Board (IRB)

approvals. Dana-Farber Cancer Institute's Connell O'Reilly Cell Manipulation Core Facility will manufacture the NurOwn™ cells for these two clinical sites. The trial will also be conducted at the Mayo Clinic in Rochester, Minnesota.

BRAINSTORM CELL THERAPEUTICS INC.

84,000,000 Shares of Common Stock

Prospectus dated _____, 2014

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the various costs and expenses, other than underwriting discounts, payable by us in connection with the sale of the securities being registered. All such costs and expenses shall be borne by us. Except for the SEC registration fee, all the amounts shown are estimates.

	Amount to be paid
SEC registration fee	$3,895
Legal fees and expenses	10,000
Accounting fees and expenses	6,500
Transfer Agent and Registrar fees	5,000
Printing fees and expenses	5,000
Miscellaneous expenses	1,605
Total	$32,000

Item 14. Indemnification of Directors and Officers

Section 145(a) of the Delaware General Corporation Law provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), because he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Section 145(b) of the Delaware General Corporation Law provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor because the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses

(including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made with respect to any claim, issue or matter as to which he or she shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or other adjudicating court determines that, despite the adjudication of liability but in view of all of the circumstances of the case, he or she is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or other adjudicating court shall deem proper.

Section 145(g) of the Delaware General Corporation Law provides, in general, that a corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify the person against such liability under Section 145 of the Delaware General Corporation Law.

The Certificate of Incorporation and the Bylaws of our Company provide that our Company will indemnify, to the fullest extent permitted by the Delaware General Corporation Law, each person who is or was a director or officer of our Company. Pursuant to Delaware law, this includes elimination of liability for monetary damages for breach of the directors' fiduciary duty of care to our Company and its stockholders. These provisions do not eliminate the directors' duty of care and, in appropriate circumstances, equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Delaware law. In addition, each director will continue to be subject to liability for breach of the director's duty of loyalty to our Company, for acts or omissions not in good faith or involving intentional misconduct, for knowing violations of law, for any transaction from which the director derived an improper personal benefit, and for payment of dividends or approval of stock repurchases or redemptions that are unlawful under Delaware law. The provision also does not affect a director's responsibilities under any other laws, such as the federal securities laws or state or federal environmental laws.

Our Company maintains a policy of directors' and officers' liability insurance that insures its directors and officers against the cost of defense, settlement or payment of a judgment under some circumstances.

Item 15. Recent Sales of Unregistered Securities

On January 18, 2011, we entered into an agreement with ACCBT to offset amounts due to ACCBT, totaling approximately $22,000. In connection with this agreement, we issued to ACCBT 10,499,999 shares of common stock and a warrant to purchase 4,537,500 shares of common stock at an exercise price of $0.29 per share. The issuance of these securities was effected without registration in reliance on Section 4(2) of the Securities Act as a sale by the Company not involving a public offering. No underwriters were involved with the issuance of such securities.

On February 7, 2011, we entered into a Securities Purchase Agreement with an investor pursuant to which we issued and sold 833,333 shares of our common stock, at a price of $0.30 per share, and a warrant to purchase 641,026 shares of our common stock until the first anniversary of the issuance date of the warrant at an exercise price of $0.39 per share for total proceeds of $250,000. The warrant may only be exercised by the payment of the exercise price in cash. The warrants, if exercised in full, will result in additional cash proceeds to the Company of approximately $250,000. The issuance of these securities was effected without registration in reliance upon Regulation D promulgated under the Securities Act. No underwriters were involved with the issuance of such securities and no commissions were paid in connection with such transaction.

On February 18, 2011, upon conversion of a $135,000 4% Convertible Promissory Note, dated as of September 15, 2010, issued by us to Thomas B. Rosedale, we issued 445,617 shares of our common stock to Thomas B. Rosedale upon receipt of written notice of his election to convert all of the outstanding principal and interest amount of the note into shares of common stock. The conversion price was $0.308. The note was issued as payment for unpaid legal fees through December 31, 2010, which were owed to BRL Law Group LLC, of which Mr. Rosedale is the managing member. The issuance of these securities was effected without registration in reliance upon Regulation D promulgated under the Securities Act. No underwriters were involved with the issuance of such securities and no commissions were paid in connection with such transaction.

Between February 22, 2011 and February 27, 2011, we entered into Securities Purchase Agreements with institutional and individual investors pursuant to which we issued and sold 12,815,000 units comprised of shares of common stock and warrants for the purchase of common stock (the Units) in exchange for $3,588,200 ($0.28 per Unit).

Each unit includes (i) one share of common stock, (ii) a warrant to purchase one-half of one share of our common stock until the first anniversary of the closing date at a purchase price of $0.28 per share and (iii) a warrant to purchase one share of our common stock until the second anniversary of the closing date at a purchase price of $0.50 per share. The warrants may only be exercised by the payment of the exercise price in cash. The warrants, if exercised in full, will result in additional cash proceeds to the Company of approximately $6.8 million.

The securities issued in this private placement were to accredited and other qualified investors outside of the United States in reliance upon available exemptions from the registration requirements of the Securities Act, including Section 4(2) thereof and Regulation S promulgated thereunder.

Barak Capital Underwriting Ltd. (“Barak”) acted as the placement agent in the offering. We paid Barak approximately $215,000 in cash and issued 512,600 shares of common stock to Barak in consideration of the services provided to us in connection with the transaction.

On April 13, 2011, pursuant to the Hadasit Agreement, we issued a warrant to purchase up to 33,334 shares of our common stock at an exercise price of $0.00005 per share, exercisable for a period of 10 years, to Hadasit Medical Research Services and Development Ltd. The issuance of these securities was effected without registration in reliance upon Regulation D promulgated under the Securities Act. No underwriters were involved with the issuance of such securities and no commissions were paid in connection with such transaction.

On June 27, 2011, we issued 10,870 shares of common stock to Landoy Risk Management Ltd. for unpaid consulting services. The issuance of these securities was effected without registration in reliance upon Regulation D promulgated under the Securities Act. No underwriters were involved with the issuance of such securities and no commissions were paid in connection with such transaction.

In July 2011, Amatrine Ltd. exercised a warrant, dated as of March 1, 2011, held by such entity for the purchase of 759,334 shares of common stock. The exercise price paid upon exercise of the warrant was $0.28 per share for a total of $212,613.52, which has been received by us. The issuance of these securities was effected without registration in reliance on Section 4(2) of the Securities Act as a sale by the Company not involving a public offering. No underwriters were involved with the issuance of such securities and no commissions were paid in connection with such transaction.

On July 7, 2011, we issued 309,977 shares of common stock to Tayside Trading Ltd., in addition to the 1,016,109 shares of common stock previously issued in connection with the conversion of a convertible loan received in 2007 and converted to our common stock. The issuance of these securities was effected without registration in reliance on Section 4(2) of the Securities Act as a sale by the Company not involving a public offering. No underwriters were involved with the issuance of such securities.

On July 18, 2011, we issued 180,000 shares of common stock to Thomas B. Rosedale as payment for unpaid 2011 legal fees, which were owed to BRL Law Group LLC, of which Mr. Rosedale is the managing member. The issuance of these securities was effected without registration in reliance upon Regulation D promulgated under the Securities Act. No underwriters were involved with the issuance of such securities and no commissions were paid in connection with such transaction.

In September 2011, Fidelity Venture Capital Ltd. exercised a warrant, dated as of March 1, 2011, held by such entity for the purchase of 187,500 shares of common stock. The exercise price paid upon exercise of the warrant was $0.28

per share for a total of $52,500.00, which has been received by us. The issuance of these securities was effected without registration in reliance on Section 4(2) of the Securities Act as a sale by the Company not involving a public offering. No underwriters were involved with the issuance of such securities and no commissions were paid in connection with such transaction.

On November 10, 2011, we issued 100,000 shares of our common stock to Dani Offen in connection with his exercise of a warrant to purchase common stock previously issued. The exercise price paid upon exercise of the warrant was $0.067 per share for a total of $6,700.00, which has been received by us. The issuance of these securities was effected without registration in reliance on Section 4(2) of the Securities Act as a sale by the Company not involving a public offering. No underwriters were involved with the issuance of such securities.

On January 11, 2012, we issued 125,000 shares of our common stock to E.H.O. Consulting and Holdings Ltd. in connection with its exercise of a warrant to purchase common stock previously issued. The exercise price paid upon exercise of the warrant was $0.001 per share for a total of $125.00, which has been received by us. The issuance of these securities was effected without registration in reliance on Section 4(2) of the Securities Act as a sale by the Company not involving a public offering. No underwriters were involved with the issuance of such securities.

On April 13, 2012, pursuant to the Hadasit Agreement, we issued a warrant to purchase up to 33,334 shares of our common stock at an exercise price of $0.00005 per share, exercisable for a period of 10 years, to Hadasit Medical Research Services and Development Ltd. The issuance of these securities was effected without registration in reliance upon Regulation D promulgated under the Securities Act. No underwriters were involved with the issuance of such securities and no commissions were paid in connection with such transaction.

On April 22, 2012, we issued 834,729 shares of our common stock to Yossef Levy in connection with his exercise of a warrant to purchase common stock previously issued. The exercise price paid upon exercise of the warrant was $0.01 per share for a total of $8,347, which has been received by us. The issuance of these securities was effected without registration in reliance on Section 4(2) of the Securities Act as a sale by the Company not involving a public offering. No underwriters were involved with the issuance of such securities.

On July 19, 2012, we issued a 2-year warrant to purchase up to 493,966 shares of our common stock with an exercise price equal to $0.348 per share, to Maxim Group LLC, pursuant to our Placement Agency Agreement with Maxim Group LLC dated as of July 19, 2012. These securities were issued without registration pursuant to the exemption afforded by Rule 506 of Regulation D promulgated under the Securities Act.

On July 19, 2012, we issued a 30-month warrant to purchase up to 232,758 shares of our common stock with an exercise price equal to $0.29 per share, to Leader Underwriters (1993) Ltd, pursuant to our Placement Agency Agreement with Leader Underwriters (1993) Ltd dated as of July 19, 2012. These securities were issued without registration pursuant to the exemption afforded by Rule 506 of Regulation D promulgated under the Securities Act.

On January 16, 2013, we issued 72,000 and 144,000 shares of common stock to Dani Offen and Eldad Melamed, respectively, for consulting services. The issuance of these securities was effected without registration in reliance on Section 4(2) of the Securities Act as a sale by the Company not involving a public offering. No underwriters were involved with the issuance of such securities.

On February 4, 2013, we issued 126,111 shares of common stock to Aaron Lasry in accordance with a settlement agreement with Mr. Lasry. The issuance of these securities was effected without registration in reliance on Section 4(2) of the Securities Act as a sale by the Company not involving a public offering. No underwriters were involved with the issuance of such securities.

On February 7, 2013, we issued 833,334 shares of common stock at a purchase price of $0.30 per share (for a total purchase price of $250,000) and a 32-month warrant to purchase up to 833,334 shares of our common stock with an exercise price equal to $0.50 per share to E.E.B Investments and Holdings (2009) Ltd. and pursuant to a Securities Purchase Agreement with E.E.B Investments and Holdings (2009) Ltd. dated February 7, 2013. These securities were issued without registration pursuant to the exemption afforded by Regulation S promulgated under the Securities Act. No underwriters were involved with the issuance of these securities and no commissions were paid in connection with this transaction.

In March 2013, we issued 250,000 shares of common stock to Emerging Markets Consulting, LLC for consulting, marketing and public relations services pursuant to our March 2013 Agreement with Emerging Markets Consulting, LLC. The issuance of these securities was effected without registration in reliance on Section 4(2) of the Securities Act as a sale by the Company not involving a public offering. No underwriters were involved with the issuance of such securities.

In March 2013, we issued 150,000 shares of common stock to LifeSci Advisors, LLC for consulting, marketing and public relations services pursuant to our March 2013 Agreement with LifeSci Advisors, LLC. The issuance of these securities was effected without registration in reliance on Section 4(2) of the Securities Act as a sale by the Company not involving a public offering. No underwriters were involved with the issuance of such securities.

On April 13, 2013, pursuant to the April 2010 Agreement with Hadasit Medical Research Services and Development Ltd., we issued a warrant to purchase up to 33,334 shares of our common stock at an exercise price of $0.00005 per share, exercisable for a period of 10 years, to Hadasit Medical Research Services and Development Ltd. The issuance of these securities was effected without registration in reliance upon Regulation D promulgated under the Securities Act. No underwriters were involved with the issuance of such securities and no commissions were paid in connection with such transaction.

On March 24, 2014, the Company issued 180,000 and 360,000 shares of Common Stock to Dani Offen and Eldad Melamed, respectively, for consulting services. The issuance of these securities was effected without registration in reliance on Section 4(2) of the Securities Act as a sale by the Company not involving a public offering. No underwriters were involved with the issuance of such securities.

On April 13, 2014, pursuant to the Hadasit Agreement, the Company issued a warrant to purchase up to 33,334 shares of its Common Stock at an exercise price of $0.00005 per share, exercisable for a period of 10 years, to Hadasit Medical Research Services and Development Ltd. The issuance of these securities was effected without registration in reliance upon Regulation D promulgated under the Securities Act. No underwriters were involved with the issuance of such securities and no commissions were paid in connection with such transaction. As a result of the April 25, 2014 termination of the Hadasit Agreement, any outstanding and unvested grants made pursuant to the Agreement ceased to vest, and the grant shall be valid until and may be exercised only on or before October 25, 2014.

On April 25, 2014 (the "Effective Date"), the Company entered into agreements with holders of warrants originally issued in the Company's August 16, 2013 public offering (the "2013 Warrants") to exchange outstanding 2013 Warrants entitling the holder to purchase an aggregate of 11,662,059 shares of Common Stock for an aggregate of 5,831,031 unregistered shares of Common Stock. On the Effective Date, each share of Common Stock issuable pursuant to the 2013 Warrants (the "Warrant Shares") was exchanged for shares of unregistered Common Stock equal to one-half (0.5) of the number of Warrant Shares (the "Exchange Shares"), provided that in the event the number of Exchange Shares resulted in a fractional number it was rounded up to the nearest whole share. As of the Effective Date, the 2013 Warrants were cancelled and of no further force and effect. The offer and sale of the Exchange Shares were made in reliance upon the exemption from registration provided for by Rule 506 of Regulation D promulgated under the Securities Act. No form of general solicitation or general advertising was used by the Company, or any representative of the Company, in connection with the offer or sale of the Shares. No underwriters were involved with the issuance of the Exchange Shares and no commissions were paid in connection with the exchange. Each of the investors represented to the Company that they are an accredited investor.

On June 19, 2014, we issued 42 million shares of Common Stock at a price per share of $0.25 and warrants to purchase up to 42 million shares of Common Stock at an exercise price of $0.348 per share to a group of investors, including several healthcare-focused funds, pursuant to the Securities Purchase Agreement dated June 13, 2014 between the Company and the investors. The Company received gross proceeds of $10.5 million. The warrants were exercisable immediately upon closing of the private placement and have a term of three (3) years. Maxim Group LLC acted as sole placement agent (the "Placement Agent") the private placement. In connection with the private placement, the Company paid the Placement Agent a cash fee equal to 6.9% of the gross proceeds of the private placement, as well as fees and expenses of the Placement Agent of $35,000. In addition, the Company issued to the Placement Agent a 5-year warrant to purchase up to 1,260,000 shares of Common Stock, with an exercise price equal to $0.30. The issuance of the shares, the warrants and the Placement Agent warrant was exempt from the registration requirements of the Securities Act pursuant to the exemption for transactions by an issuer not involving any public offering under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act. The Company made this determination based on the representations that each party is an "accredited investor" within the meaning of Rule 501 of Regulation D and has access to information about the Company and its investment.

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Item 16. Exhibits and Financial Statement Schedules

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. 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. 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).
4.1	Form of Warrant is incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated June 13, 2014 (File No. 000-54365).
5.1	Form of Opinion of counsel as to legality of securities being registered.
10.1	Form of Securities Purchase Agreement is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated June 13, 2014 (File No. 000-54365).
10.2	Form of Registration Rights Agreement is incorporated herein by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K dated June 13, 2014 (File No. 000-54365).
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	Amendment Agreement, dated as of March 31, 2006, among the Company, Ramot at Tel Aviv University Ltd. and certain warrantholders is incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated March 30, 2006 (File No. 333-61610).
10.7	

Second Amended and Restated Research and License Agreement, dated July 26, 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).

10.8	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).
10.9	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).
10.10	Letter Agreement, dated December 24, 2009, 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 filed December 31, 2009 (File No. 333-61610).
10.11	Amendment No. 1 to Second Amended and Restated Research and License Agreement, 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 filed December 31, 2009 (File No. 333-61610).
10.12	Assignment Agreement, dated December 20, 2011, by and between the Company and Brainstorm Cell Therapeutics Ltd. is incorporated herein by reference to Exhibit 10.12 of the Company's Registration Statement on Form S-1, as filed with the SEC on February 3, 2012 (File No. 333-179331).
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).
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	Consulting Agreement, dated as of May 31, 2012, by and between the Company and Dr. Daniel Offen is incorporated herein by reference to Exhibit 10.15 of the Company's Registration Statement on Form S-1, as filed with the SEC on June 29, 2012 (File No. 333-179331).
10.16	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).
10.17*	Brainstorm Cell Therapeutics Inc. Amended and Restated 2004 Global Share Option Plan is incorporated herein by reference to Exhibit A to the Company's Definitive Schedule 14A filed May 7, 2012 (File No. 000-54365).
10.18*	Brainstorm Cell Therapeutics Inc. Amended and Restated 2005 U.S. Stock Option and Incentive Plan is incorporated herein by reference to Exhibit B to the Company's Definitive Schedule 14A filed May 7, 2012 (File No. 000-54365).

10.19*	Form of Stock Option Agreement for usage under the Registrant's Amended and Restated 2004 Global Share Option Plan is incorporated herein by reference to Exhibit 10.9 of the Company's Quarterly Report on Form 10-Q filed on August 15, 2011 (File No. 000-54365).
10.20*	Form of Restricted Stock Agreement for usage under the Registrant's Amended and Restated 2005 U.S. Stock Option and Incentive Plan is incorporated herein by reference to Exhibit 10.10 of the Company's Quarterly Report on Form 10-Q filed on August 15, 2011 (File No. 000-54365).

10.21	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).
10.22	Amendment to Subscription Agreement, dated as of July 31, 2009, 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 August 24, 2009 (File No. 333-61610).
10.23	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).
10.24	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).
10.25	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).
10.26	Finder's Fee Agreement, dated as of October 29, 2007, by and between the Company and Tayside Trading Ltd. is incorporated herein by reference to Exhibit 10.63 of the Company's Annual Report on Form 10-KSB filed on April 14, 2008 (File No. 333-61610).
10.27	Subscription Agreement, dated January 24, 2010, by and between the Company and Reytalon Ltd. is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on February 1, 2010 (File No. 333-61610).
10.28	Securities Purchase Agreement, dated as of February 17, 2010, by and between the Company and Abraham Suisse is incorporated herein by reference to Exhibit 10.69 of the Company's Annual Report on Form 10-K filed on March 25, 2010 (File No. 333-61610).
10.29	Securities Purchase Agreement, dated as of February 17, 2010, by and between the Company and Yaakov Ben Zaken is incorporated herein by reference to Exhibit 10.70 of the Company's Annual Report on Form 10-K filed on March 25, 2010 (File No. 333-61610).
10.30	Securities Purchase Agreement, dated as of February 17, 2010, by and between the Company and Abram Nanikashvili is incorporated herein by reference to Exhibit 10.71 of the Company's Annual Report on Form 10-K filed on March 25, 2010 (File No. 333-61610).
10.31*	Agreement, dated April 13, 2010, by and between the Company, Abraham Israeli and Hadasit Medical Research Services and Development Ltd. is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on April 15, 2010 (File No. 333-61610).
10.32*	First Amendment Agreement, dated as of December 31, 2011, to the Agreement by and between the Company, Abraham Israeli and Hadasit Medical Research Services and Development Ltd. is incorporated herein by reference to Exhibit 10.37 of the Company's Registration Statement on Form S-1, as filed with the

	SEC on February 3, 2012 (File No. 333-179331).
10.33	Common Stock Purchase Warrant, dated as of April 13, 2010, issued by the Company to Hadasit Medical Research Services and Development Ltd. is incorporated herein by reference to Exhibit 10.38 of the Company's Registration Statement on Form S-1, as filed with the SEC on February 3, 2012 (File No. 333-179331).
10.34	Common Stock Purchase Warrant, dated as of April 13, 2011, issued by the Company to Hadasit Medical Research Services and Development Ltd. is incorporated herein by reference to Exhibit 10.39 of the Company's Registration Statement on Form S-1, as filed with the SEC on February 3, 2012 (File No. 333-179331).

10.35	Common Stock Purchase Warrant, dated as of April 13, 2012, issued by the Company to Hadasit Medical Research Services and Development Ltd. is incorporated herein by reference to Exhibit 10.39 of the Company's Annual Report on Form 10-K filed on March 14, 2013 (File No. 000-54365).
10.36	Convertible Promissory Note, dated as of September 15, 2010, issued by the Company to Thomas B. Rosedale is incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on November 15, 2010 (File No. 333-61610).
10.37*	Employment Agreement, dated June 23, 2010, by and between Brainstorm Cell Therapeutics Ltd. and Liat Sossover is incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on August 16, 2010 (File No. 333-61610).
10.38*	Employment Agreement, dated January 30, 2011, by and between Brainstorm Cell Therapeutics Ltd. and Dr. Adrian Harel is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on February 2, 2011 (File No. 333-61610).
10.39*	Amendment to Employment Agreement, dated September 5, 2011, by and between Brainstorm Cell Therapeutics Ltd. and Adrian Harel, incorporated by reference to Exhibit 10.39 of the amendment to the Company's Registration Statement on Form S-1 filed on July 9, 2013 (File No. 333-186516).
10.40	Form of Securities Purchase Agreement, dated as of February 2011, by and between the Company and certain investors is incorporated herein by reference to Exhibit 10.37 of the Company's Annual Report on Form 10-K filed on March 31, 2011(File No. 333-61610).
10.41	Form of Securities Purchase Agreement, dated as of February 7, 2011, by and between the Company and Karinel Ltd. is incorporated herein by reference to Exhibit 10.39 of the Company's Annual Report on Form 10-K filed on March 31, 2011(File No. 333-61610).
10.42	Clinical Trial Agreement, entered into as of February 17, 2010, among BrainStorm Cell Therapeutics Ltd., Prof. Dimitrios Karussis and Hadasit Medical Research Services and Development Ltd. is incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on August 15, 2011 (File No. 000-54365).
10.43	Amendment to the Clinical Trial Agreement, entered into as of June 27, 2011, among BrainStorm Cell Therapeutics Ltd., Prof. Dimitrios Karussis and Hadasit Medical Research Services and Development Ltd. is incorporated herein by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on August 15, 2011 (File No. 000-54365).
10.44*	BrainStorm Cell Therapeutics Inc. Second Amended and Restated Director Compensation Plan (filed herewith).
10.45	Common Stock Purchase Warrant, dated as of February 17, 2010, issued by the Company to Hadasit Medical Research Services and Development Ltd. is incorporated herein by reference to Exhibit 10.50 of the Company's Registration Statement on Form S-1, as filed with the SEC on February 3, 2012 (File No. 333-179331).

10.46	Common Stock Purchase Warrant, dated as of February 17, 2010, issued by the Company to Hadasit Medical Research Services and Development Ltd. is incorporated herein by reference to Exhibit 10.51 of the Company's Registration Statement on Form S-1, as filed with the SEC on February 3, 2012 (File No. 333-179331).

10.47	Common Stock Purchase Warrant, dated as of February 17, 2010, issued by the Company to Hadasit Medical Research Services and Development Ltd. is incorporated herein by reference to Exhibit 10.52 of the Company's Registration Statement on Form S-1, as filed with the SEC on February 3, 2012 (File No. 333-179331).
10.48*	Amended and Restated Executive Director Agreement, dated November 11, 2011, by and between the Company and Chen Schor is incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed November 16, 2011 (File No. 333-61610).
10.49	Warrant Amendment Agreement, dated as of May 10, 2012, by and between BrainStorm Cell Therapeutics Inc. and ACCBT Corp. is incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 11, 2012 (File No. 000-54365).
10.50	Form of Securities Purchase Agreement is incorporated herein by reference to Annex A of the Company's Rule 424(b)(1) Prospectus filed July 19, 2012 (File No. 333-179331).
10.51	Form of Placement Agency Agreement by and between Brainstorm Cell Therapeutics Inc. and Maxim Group LLC, incorporated herein by reference to Exhibit 10.58 of the Company's Registration Statement filed June 29, 2012 (File No. 333-179331).
10.52	Form of Common Stock Purchase Warrant issued by Brainstorm Cell Therapeutics Inc. to Placement Agent, incorporated herein by reference to Exhibit A of Exhibit 10.58 of the Company's Registration Statement filed June 29, 2012 (File No. 333-179331).
10.53	Form of Warrant, incorporated herein by reference to Annex B of the Company's Rule 424(b)(1) Prospectus filed July 19, 2012 (File No. 333-179331).
10.54*	Employment Agreement dated January 24, 2013 between BrainStorm Cell Therapeutics Ltd. and Alon Natanson is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on January 28, 2013 (File No. 000-54365).
10.55	Common Stock Purchase Warrant, dated as of April 13, 2013, issued by Brainstorm Cell Therapeutics Inc. to Hadasit Medical Research Services and Development Ltd. is incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 9, 2013 (File No. 000-54365).
10.56	Underwriting Agreement dated as of August 13, 2013 by and between Brainstorm Cell Therapeutics Inc., Roth Capital Partners, LLC and Maxim Group LLC is incorporated herein by reference to Exhibit 1.1 of the Company's Current Report on Form 8-K filed August 13, 2013 (File No. 000-54365).
10.57	Form of Warrant is incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed August 13, 2013 (File No. 000-54365).
10.58	Form of Securities Exchange Agreement, dated as of April 25, 2014 by and between Brainstorm Cell Therapeutics Inc. and the Holder (defined therein) is incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on May 13, 2014 (File No. 000-54365).

10.59	Common Stock Purchase Warrant, dated as of April 13, 2014, issued by Brainstorm Cell Therapeutics Inc. to Hadasit Medical Research Services and Development Ltd. is incorporated herein by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on May 13, 2014 (File No. 000-54365).
10.60	Letter from Brainstorm Cell Therapeutics Inc. to Prof. Abraham Israeli dated March 20, 2014 is incorporated herein by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q filed on May 13, 2014 (File No. 000-54365).

10.61	Employment Agreement dated June 6, 2014 between BrainStorm Cell Therapeutics Ltd. and Uri Yablonka is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on June 9, 2014 (File No. 000-54365).
10.62	Employment Agreement dated June 9, 2014 between Brainstorm Cell Therapeutics Inc. and Anthony Fiorino, M.D., Ph.D. is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on June 10, 2014 (File No. 000-54365).
21.1	Subsidiaries of the Company is incorporated herein by reference to Exhibit 21 of the Company's Annual Report on Form 10-K filed on March 27, 2014 (File No. 000-54365).
23.1	Consent of Brightman Almagor & Co., a member of Deloitte Touche Tohmatsu.
23.2	Consent of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global.
23.3	Consent of BRL Law Group LLC (included in Exhibit 5.1).
24.1	Power of Attorney (included on signature page).
101. INS	XBRL Instance Document
101. SCH	XBRL Taxonomy Extension Schema
101. CAL	XBRL Taxonomy Extension Calculation Linkbase
101. DEF	XBRL Taxonomy Extension Definition Linkbase
101. LAB	XBRL Taxonomy Extension Label Linkbase
101. PRE	XBRL Taxonomy Extension Presentation Linkbase

* Management contract or compensatory plan or arrangement.

Item 17. Undertakings

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (the "Securities Act");

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in the volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. *Provided, however,* that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(5) That, for the purpose of determining liability of the registrant under the Securities Act to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, such undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(6) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the indemnification provisions described herein, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Petach Tikva, ISRAEL, on the 10th day of July, 2014.

BRAINSTORM CELL THERAPEUTICS INC.

By: /s/ Anthony Fiorino
Anthony Fiorino
Chief Executive Officer
(Principal Executive Officer)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Anthony Fiorino, Chaim Lebovits and Liat Sossover, jointly and severally, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her, and in his or her name, place and stead, in any and all capacities, to sign the Registration Statement on Form S-1 of BrainStorm Cell Therapeutics Inc. and any or all amendments (including post-effective amendments) thereto and any new registration statement with respect to the offering contemplated thereby filed pursuant to Rule 462(b) of the Securities Act, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Anthony Fiorino Anthony Fiorino	Chief Executive Officer (Principal Executive Officer)	July 10, 2014
/s/ Liat Sossover Liat Sossover	Chief Financial Officer (Principal Financial and Accounting Officer)	July 10, 2014

/s/ Irit Arbel Irit Arbel	Director	July 3, 2014
/s/ Mordechai Friedman Mordechai Friedman	Director	July 7, 2014
/s/ Alon Pinkas Alon Pinkas	Director	July 10, 2014
/s/ Chen Schor Chen Schor	Director	July 3, 2014
/s/ Robert Shorr Robert Shorr	Director	July 8, 2014
/s/ Malcolm Taub Malcolm Taub	Director	July 7, 2014
/s/ Uri Yablonka Uri Yablonka	Director	July 10, 2014

imes New Roman';">161,718

Soybean futures contracts

16,175

16,175

Total

$

177,893

$

$

$

177,893

Liabilities:	Level 1	Level 2	Level 3	Balance as of December 31, 2015
Soybean futures contracts	$ 238,662	$	$	$ 238,662

For the six months ended June 30, 2016 and year ended December 31, 2015, the Fund did not have any significant transfers between any of the levels of the fair value hierarchy.

See the *Fair Value - Definition and Hierarchy* section in Note 3 above for an explanation of the transfers into and out of each level of the fair value hierarchy.

Note 5 Derivative Instruments and Hedging Activities

In the normal course of business, the Fund utilizes derivative contracts in connection with its proprietary trading activities. Investments in derivative contracts are subject to additional risks that can result in a loss of all or part of an investment. The Fund s derivative activities and exposure to derivative contracts are classified by the following primary underlying risks: interest rate, credit, commodity price, and equity price risks. In addition to its primary underlying risks, the Fund is also subject to additional counterparty risk due to inability of its counterparties to meet the terms of their contracts. For six months ended June 30, 2016 and year ended December 31, 2015, the Fund invested only in commodity futures contracts.

Futures Contracts

The Fund is subject to commodity price risk in the normal course of pursuing its investment objectives. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

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The purchase and sale of futures contracts requires margin deposits with a FCM. Subsequent payments (variation margin) are made or received by the Fund each day, depending on the daily fluctuations in the value of the contract, and are recorded as unrealized gains or losses by the Fund. Futures contracts may reduce the Fund s exposure to counterparty risk since futures contracts are exchange-traded; and the exchange s clearinghouse, as the counterparty to all exchange-traded futures, guarantees the futures against default.

The Commodity Exchange Act requires an FCM to segregate all customer transactions and assets from the FCM s proprietary activities. A customer s cash and other equity deposited with an FCM are considered commingled with all other customer funds subject to the FCM s segregation requirements. In the event of an FCM s insolvency, recovery may be limited to the Fund s pro rata share of segregated customer funds available. It is possible that the recovery amount could be less than the total of cash and other equity deposited.

The following table discloses information about offsetting assets and liabilities presented in the statements of assets and liabilities to enable users of these financial statements to evaluate the effect or potential effect of netting arrangements for recognized assets and liabilities. These recognized assets and liabilities are presented as defined in FASB ASU No. 2011-11 Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities and subsequently clarified in FASB ASU 2013-01 Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities.

The following table also identifies the fair value amounts of derivative instruments included in the statements of assets and liabilities as derivative contracts, categorized by primary underlying risk and held by the FCM, ED&F Man as of June 30, 2016 and December 31, 2015.

Offsetting of Financial Assets and Derivative Assets as of June 30, 2016

	(i)	(ii)	(iii) = (i) (ii)	(iv)		(v) = (iii) (iv)
				Gross Amount Not Offset in the Statement of Assets and Liabilities		
Description	Gross Amount of Recognized Assets	Gross Amount Offset in the Statement of Assets and Liabilities	Net Amount Presented in the Statement of Assets and Liabilities	Futures Contracts available for Offset	Collateral, Due to Broker	Net Amount
Commodity price						
Soybean futures contracts	$ 1,368,438	$ -	$ 1,368,438	$ -	$ 400,004	$ 968,434

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Offsetting of Financial Assets and Derivative Assets as of December 31, 2015

	(i)	(ii)	(iii) = (i) (ii)	(iv)		(v) = (iii) (iv)
				Gross Amount Not Offset in the Statement of Assets and Liabilities		
Description	Gross Amount of Recognized Assets	Gross Amount Offset in the Statement of Assets and Liabilities	Net Amount Presented in the Statement of Assets and Liabilities	Futures Contracts Available for Offset	Collateral, Due to Broker	Net Amount
Commodity price						
Soybean futures contracts	$ 16,175	$ -	$ 16,175	$ 16,175	$ -	$ -

Offsetting of Financial Liabilities and Derivative Liabilities as of December 31, 2015

	(i)	(ii)	(iii) = (i) (ii)	(iv)		(v) = (iii) (iv)
				Gross Amount Not Offset in the Statement of Assets and Liabilities		
Description	Gross Amount of Recognized Liabilities	Gross Amount Offset in the Statement of Assets and Liabilities	Net Amount Presented in the Statement of Assets and Liabilities	Futures Contracts Available for Offset	Collateral, Due from Broker	Net Amount
Commodity price						
Soybean futures contracts	$ 238,662	$ -	$ 238,662	$ 16,175	$ 222,487	$ -

The following is a summary of realized and unrealized gains and losses of the derivative instruments utilized by the Fund:

Three months ended June 30, 2016

Primary Underlying Risk	Realized Gain on Commodity Futures Contracts	Net Change in Unrealized Appreciation or Depreciation on Commodity Futures Contracts
Commodity price		
Soybean futures contracts	$ 861,575	$ 1,246,300

Three months ended June 30, 2015

Primary Underlying Risk	Realized Loss on Commodity Futures Contracts	Net Change in Unrealized Appreciation or Depreciation on Commodity Futures Contracts
Commodity price		
Soybean futures contracts	$ (151,338)	$ 537,613

Six months ended June 30, 2016

Primary Underlying Risk	Realized Gain on Commodity Futures Contracts	Net Change in Unrealized Appreciation or Depreciation on Commodity Futures Contracts
Commodity price		
Soybean futures contracts	$ 961,900	$ 1,590,925

Six months ended June 30, 2015

Primary Underlying Risk	Realized Loss on Commodity Futures Contracts	Net Change in Unrealized Appreciation or Depreciation on Commodity Futures Contracts
Commodity price		
Soybean futures contracts	$ (734,713)	$ 594,551

Volume of Derivative Activities

The average notional market value categorized by primary underlying risk for all futures contracts held was $12.5 million and $11 million for the three and six months ended June 30, 2016 and $6.5 million and $7.1 million for the three and six months ended June 30, 2015.

Note 6 Financial Highlights

The following tables present per unit performance data and other supplemental financial data for the three and six months ended June 30, 2016 and 2015. This information has been derived from information presented in the financial statements. This information has been derived from information presented in the financial statements and is presented with total expenses gross of expenses waived by the Sponsor and with total expenses net of expenses waived by the Sponsor, as appropriate.

Per Share Operation Performance	**Three months ended June 30, 2016**	**Three months ended June 30, 2015**	**Six months ended June 30, 2016**	**Six months ended June 30, 2015**
Net asset value at beginning of period	$ 18.02	$ 19.62	$ 17.34	$ 20.79
Income (loss) from investment operations:				
Income (loss)	0.03	0.00	0.05	0.00
Net realized and unrealized gain on commodity futures contracts	3.52	1.13	4.36	0.05
Total expenses	(0.20)	(0.15)	(0.38)	(0.24)
Net increase (decrease) in net asset value	$ 3.35	$ 0.98	4.03	(0.19)
Net asset value at end of period	21.37	20.60	$ 21.37	$ 20.60
Total Return	18.59%	4.99%	23.24%	(0.91)%
Ratios to Average Net Assets (Annualized)				
Total expenses	4.03%	7.29%	4.04%	5.60%
Total expenses, net	4.03%	3.08%	4.04%	2.49%
Net investment loss	(3.50)%	(2.98)%	(3.51)%	(2.43)%

Effective in the third quarter 2015, the financial highlights per share data are calculated consistent with the methodology used to calculate asset-based fees and expenses. In prior periods, the financial highlights per share data are calculated using the average of the daily shares outstanding for the reporting period, which is inclusive of the last day of the period. Any change in methodology was not material to the ratios presented.

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Note 7 Organizational and Offering Costs

Expenses incurred in organizing of the Trust and the initial offering of the Shares of the Fund, including applicable SEC registration fees were borne directly by the Sponsor. The Fund will not be obligated to reimburse the Sponsor.

Note 8 Subsequent Events

Management has evaluated the financial statements for the quarter-ended June 30, 2016 for subsequent events through the date of this filing and noted no material events requiring either recognition through the date of the filing or disclosure herein for the Fund.

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TEUCRIUM SUGAR FUND

STATEMENTS OF ASSETS AND LIABILITIES

	June 30, 2016 (Unaudited)	**December 31, 2015**
Assets		
Cash and cash equivalents	$ 6,586,794	$ 4,932,791
Interest receivable	117	49
Restricted cash	113,068	142,457
Other assets	51,470	11,942
Equity in trading accounts:		
Commodity futures contracts	747,924	364,056
Due from broker	-	58,431
Total equity in trading accounts	747,924	422,487
Total assets	7,499,373	5,509,726
Liabilities		
Management fee payable to Sponsor	5,609	-
Other liabilities	-	1,063
Equity in trading accounts:		
Commodity futures contracts	60,346	-
Due to broker	327,633	-
Total equity in trading accounts	387,979	-
Total liabilities	393,588	1,063
Net assets	$ 7,105,785	$ 5,508,663
Shares outstanding	550,004	550,004
Net asset value per share	$ 12.92	$ 10.02
Market value per share	$ 12.96	$ 10.06

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

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TEUCRIUM SUGAR FUND

SCHEDULE OF INVESTMENTS

June 30, 2016

(Unaudited)

Description: Assets	**Fair Value**	**Percentage of Net Assets**		**Shares**
Cash equivalents				
Money market funds				
Fidelity Institutional Money Market Funds - Government Portfolio (cost $588,890)	$ 588,890	8.29	%	588,890
				Notional Amount (Long Exposure)
Commodity futures contracts				
United States sugar futures contracts				
ICE sugar futures MAR17 (109 contracts)	$ 525,862	7.40	%	$ 2,494,094
ICE sugar futures MAR18 (124 contracts)	222,062	3.13	%	2,474,842
Total commodity futures contracts	$ 747,924	10.53	%	$ 4,968,936

Description: Liabilities	**Fair Value**	**Percentage of Net Assets**		**Notional Amount (Long Exposure)**
Commodity futures contracts				
United States sugar futures contracts				
ICE sugar futures MAY17 (98 contracts)	$60,346	0.85	%	$2,118,368

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

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TEUCRIUM SUGAR FUND

SCHEDULE OF INVESTMENTS

December 31, 2015

Description: Assets	**Fair Value**	**Percentage of Net Assets**	**Shares**
Cash equivalents			
Money market funds			
Fidelity Institutional Prime Money Market Portfolio (cost $297,460)	$297,460	5.40 %	297,460
			Notional Amount (Long Exposure)
Commodity futures contracts			
United States sugar futures contracts			
ICE sugar futures MAY16 (115 contracts)	$151,973	2.76 %	$1,921,696
ICE sugar futures JUL16 (101 contracts)	199,517	3.62	1,656,077
ICE sugar futures MAR17 (114 contracts)	12,566	0.23	1,927,968
Total commodity futures contracts	$364,056	6.61 %	$5,505,741

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

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TEUCRIUM SUGAR FUND

STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Income				
Realized and unrealized gain (loss) on trading of commodity futures contracts:				
Realized gain (loss) on commodity futures contracts	$ 1,010,632	$ (505,713)	$1,008,874	$(839,260)
Net change in unrealized appreciation or depreciation on commodity futures contracts	325,998	414,623	323,523	196,212
Interest income	7,671	967	13,532	1,149
Total income (loss)	1,344,301	(90,123)	1,345,929	(641,899)
Expenses				
Management fees	15,249	8,367	26,717	14,853
Professional fees	14,605	14,398	17,509	26,351
Distribution and marketing fees	39,454	967	63,091	8,247
Custodian fees and expenses	7,351	62,000	7,351	64,000
Business permits and licenses fees	5,805	882	6,562	882
General and administrative expenses	5,848	74	7,053	376
Brokerage commissions	2,592	-	3,671	-
Other expenses	2,116	251	3,399	747
Total expenses	93,020	86,939	135,353	115,456
Expenses waived by the Sponsor	(58,406)	(71,409)	(73,386)	(87,825)
Total expenses, net	34,614	15,530	61,967	27,631
Net income (loss)	$ 1,309,687	$ (105,653)	$1,283,962	$(669,530)
Net income (loss) income per share	$ 2.39	$ (0.07)	$2.90	$(2.34)
Net income (loss) income per weighted average share	$ 2.43	$ (0.31)	$2.53	$(2.31)
Weighted average shares outstanding	539,290	338,191	507,559	289,645

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

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TEUCRIUM SUGAR FUND

STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

	Six months ended June 30, 2016	Six months ended June 30, 2015
Operations		
Net income (loss)	$ 1,283,962	$ (669,530)
Capital transactions		
Issuance of Shares	2,124,000	2,042,539
Redemption of Shares	(1,810,840)	-
Total capital transactions	313,160	2,042,539
Net change in net assets	1,597,122	1,373,009
Net assets, beginning of period	$ 5,508,663	$ 2,661,212
Net assets, end of period	$ 7,105,785	$ 4,034,221
Net asset value per share at beginning of period	$ 10.02	$ 11.83
Net asset value per share at end of period	$ 12.92	$ 9.49
Creation of Shares	200,000	200,000
Redemption of Shares	200,000	-

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

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TEUCRIUM SUGAR FUND

STATEMENTS OF CASH FLOWS

(Unaudited)

	Six months ended June 30, 2016	Six months ended June 30, 2015
Cash flows from operating activities:		
Net income (loss)	$ 1,283,962	$ (669,530)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Net change in unrealized appreciation or depreciation on commodity futures contracts	(323,523)	(196,212)
Changes in operating assets and liabilities:		
Due from broker	58,431	31,720
Interest receivable	(67)	133
Restricted cash	29,389	-
Other assets	(39,528)	(20,057)
Due to broker	327,633	-
Management fee payable to Sponsor	5,609	-
Other liabilities	(1,063)	4,181
Net cash provided by (used in) operating activities	1,340,843	(849,765)
Cash flows from financing activities:		
Proceeds from sale of Shares	2,124,000	2,042,539
Redemption of Shares	(1,810,840)	-
Net cash provided by financing activities	313,160	2,042,539
Net change in cash and cash equivalents	1,654,003	1,192,774
Cash and cash equivalents, beginning of period	4,932,791	2,489,338
Cash and cash equivalents, end of period	$ 6,586,794	$ 3,682,112

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

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NOTES TO FINANCIAL STATEMENTS

June 30, 2016

(Unaudited)

Note 1 Organization and Operation

Teucrium Sugar Fund (referred to herein as CANE or the Fund) is a commodity pool that is a series of Teucrium Commodity Trust (Trust), a Delaware statutory trust formed on September 11, 2009. The Fund issues common units, called the Shares, representing fractional undivided beneficial interests in the Fund. The Fund continuously offers Creation Baskets consisting of 25,000 Shares at their Net Asset Value (NAV) to Authorized Purchasers through Foreside Fund Services, LLC, which is the distributor for the Fund (the Distributor). Authorized Purchasers sell such Shares, which are listed on the New York Stock Exchange (NYSE) Arca under the symbol CANE, to the public at per-Share offering prices that reflect, among other factors, the trading price of the Shares on the NYSE Arca, the NAV of the Fund at the time the Authorized Purchaser purchased the Creation Baskets and the NAV at the time of the offer of the Shares to the public, the supply of and demand for Shares at the time of sale, and the liquidity of the markets for sugar interests. The Fund s Shares trade in the secondary market on the NYSE Arca at prices that are lower or higher than their NAV per Share.

The investment objective of CANE is to have the daily changes in percentage terms of the Shares NAV reflect the daily changes in percentage terms of a weighted average of the closing settlement prices for three futures contracts for sugar (Sugar Futures Contracts) that are traded on ICE Futures US (ICE Futures), specifically: (1) the second-to-expire Sugar No. 11 Futures Contract (a Sugar No. 11 Futures Contract), weighted 35%, (2) the third-to-expire Sugar No. 11 Futures Contract, weighted 30%, and (3) the Sugar No. 11 Futures Contract expiring in the March following the expiration month of the third-to-expire contract, weighted 35%.

The Fund commenced investment operations on September 19, 2011 and has a fiscal year ending December 31. The Fund s sponsor is Teucrium Trading, LLC (the Sponsor). The Sponsor is responsible for the management of the Fund. The Sponsor is a member of the National Futures Association (the NFA) and became a commodity pool operator registered with the Commodity Futures Trading Commission (the CFTC) effective November 10, 2009.

On June 17, 2011, the Fund s registration of 10,000,000 shares on Form S-1 was declared effective by the U.S. Securities and Exchange Commission (SEC). On September 19, 2011, the Fund listed its shares on the NYSE Arca under the ticker symbol CANE. On the business day prior to that, the Fund issued 100,000 shares in exchange for $2,500,000 at the Fund s initial NAV of $25 per share. The Fund also commenced investment operations on September

19, 2011 by purchasing commodity futures contracts traded on ICE. On December 31, 2010, the Fund had four shares outstanding, which were owned by the Sponsor. On June 30, 2014, a subsequent registration for CANE was declared effective by the SEC.

The accompanying unaudited financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X promulgated by the SEC and, therefore, do not include all information and footnote disclosures required under accounting principles generally accepted in the United States of America (GAAP). The financial information included herein is unaudited; however, such financial information reflects all adjustments which are, in the opinion of management, necessary for the fair presentation of the Fund s financial statements for the interim period. It is suggested that these interim financial statements be read in conjunction with the financial statements and related notes included in the Trust s Annual Report on Form 10-K, as well as the most recent Form S-1 filing, as applicable. The operating results for the six months ended June 30, 2016 are not necessarily indicative of the results to be expected for the full year ending December 31, 2016.

Subject to the terms of the Trust Agreement, Teucrium Trading, LLC, in its capacity as the Sponsor (Sponsor), may terminate a Fund at any time, regardless of whether the Fund has incurred losses, including, for instance, if it determines that the Fund s aggregate net assets in relation to its operating expenses make the continued operation of the Fund unreasonable or imprudent. However, no level of losses will require the Sponsor to terminate a Fund.

Note 2 Principal Contracts and Agreements

On August 17, 2015 (the Conversion Date), U.S. Bank N.A. replaced The Bank of New York Mellon as the Custodian for the Funds. The principal business address for U.S. Bank N.A. is 1555 North Rivercenter Drive, Suite 302, Milwaukee, Wisconsin 53212. U.S. Bank N.A. is a Wisconsin state chartered bank subject to regulation by the Board of Governors of the Federal Reserve System and the Wisconsin State Banking Department. The principal address for U.S. Bancorp Fund Services, LLC (USBFS) is 777 East Wisconsin Avenue, Milwaukee, WI, 53202. In addition, effective on the Conversion Date, USBFS, a wholly owned subsidiary of U.S. Bank, commenced serving as administrator for each Fund, performing certain administrative and accounting services and preparing certain SEC reports on behalf of the Funds, and also became the registrar and transfer agent for each Fund s Shares. For such services, U.S. Bank and USBFS will receive an asset-based fee, subject to a minimum annual fee. The Sponsor does not anticipate any material change to the expenses for any Fund, net of expenses waived by the Sponsor, as a result of the servicing conversion to USBFS and U.S. Bank.

Given this conversion, beginning with the quarter ended June 30, 2015 and for the year-ended December 31, 2015, the statements of operations reflected an expense, before and after fees waived by the Sponsor, for fees associated with Custodian, Fund Administration and Transfer Agent services (Custodian Fees) that have or will be paid to the Bank of New York Mellon by a Fund or by the Sponsor on behalf of a Fund. The Custodian Fees reflected in the financial statements through December 31, 2015, net of expenses waived by the Sponsor, are generally as had been presented in prior periods of 2015. Therefore, for the quarter ended June 30, 2015, the Custodian Fees reflected for that period do not include any increase, gross or net of expenses waived by the Sponsor, for the change in service providers discussed above.

For custody services, the Funds will pay to U.S. Bank N.A. 0.0075% of average gross assets up to $1 billion, and .0050% of average gross assets over $1 billion, annually, plus certain per-transaction charges. For Transfer Agency,

Fund Accounting and Fund Administration services, which are based on the total assets for all the Funds in the Trust, the Funds will pay to USBFS 0.06% of average gross assets on the first $250 million, 0.05% on the next $250 million, 0.04% on the next $500 million and 0.03% on the balance over $1 billion annually. A combined minimum annual fee of up to $64,500 for custody, transfer agency, accounting and administrative services is assessed per Fund. For the three months ended June 30, 2016 and 2015, the Fund recognized $7,351 and $62,000, respectively, for these services, which was recorded in custodian fees and expenses on the statements of operations; of these expenses $5,826 in 2016 and $62,000 in 2015 were waived by the Sponsor. For the six months ended June 30, 2016 and 2015, the Fund recognized $7,351 and $64,000 respectively, for these services, which was recorded in custodian fees and expenses on the statements of operations; of these expenses $5,826 in 2016 and $64,000 in 2015 were waived by the Sponsor.

The Sponsor employs Foreside Fund Services, LLC (Foreside or the Distributor) as the Distributor for the Funds. The Distribution Services Agreement among the Distributor and the Sponsor calls for the Distributor to work with the Custodian in connection with the receipt and processing of orders for Creation Baskets and Redemption Baskets and the review and approval of all Fund sales literature and advertising materials. The Distributor and the Sponsor have also entered into a Securities Activities and Service Agreement (the SASA) under which certain employees and officers of the Sponsor are licensed as registered representatives or registered principals of the Distributor, under Financial Industry Regulatory Authority (FINRA) rules. For its services as the Distributor, Foreside receives a fee of 0.01% of the Fund s average daily net assets and an aggregate annual fee of $100,000 for all Teucrium Funds, along with certain expense reimbursements. For its services under the SASA, Foreside receives a fee of $5,000 per registered representative and $1,000 per registered location. For the three months ended June 30, 2016 and 2015, the Fund recognized $2,469 and $762, respectively, for these services, which was recorded in distribution and marketing fees on the statements of operations; of these expenses $2,469 in 2016 and $0 in 2015 were waived by the Sponsor. For the six months ended June 30, 2016 and 2015, the Fund recognized $5,028 and $1,435, respectively, for these services, which was recorded in distribution and marketing fees on the statements of operations; of these expenses $2,469 in 2016 and $470 in 2015 were waived by the Sponsor.

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On January 2, 2015, Newedge USA, LLC (Newedge USA) merged with and into SG Americas Securities, LLC (SG), with the latter as the surviving entity. On February 6, 2015 Jefferies LLC (Jefferies) became the Funds FCM and primary clearing broker. All futures contracts held by SG were transferred to Jefferies on that date. As of February 23, 2015 all residual cash balances held at SG had been transferred to Jefferies and the balance in all SG accounts was $0. Effective June 3, 2015, ED&F Man Capital Markets Inc. (ED&F Man) replaced Jefferies as the Underlying Funds FCM and the clearing broker to execute and clear the Underlying Fund s futures and provide other brokerage-related services. As of June 4, 2015 all futures contracts and residual cash balances held at Jefferies had been transferred to ED&F Man and the balance in all Jefferies accounts was $0.

Currently, ED&F Man serves as the Underlying Funds clearing broker to execute and clear the Underlying Funds futures and provide other brokerage-related services. ED&F Man is registered as a FCM with the U.S. CFTC and is a member of the NFA. ED&F Man is also registered as a broker/dealer with the U.S. Securities and Exchange Commission and is a member of the FINRA. ED&F Man is a clearing member of ICE Futures U.S., Inc., Chicago Board of Trade, Chicago Mercantile Exchange, New York Mercantile Exchange, and all other major United States commodity exchanges. For Corn, Soybean, Sugar and Wheat Futures Contracts ED&F Man, Jefferies and SG was paid $8.00 per round turn. Effective January 1, 2016, ED&F Man, increased the per round-term charge for futures contracts commission to $9.00. For the three months ended June 30, 2016 and 2015, the Fund recognized $2,592 and $0, respectively, for these services, which was recorded in brokerage commissions on the statements of operations and paid for by the Fund. For the six months ended June 30, 2016 and 2015, the Fund recognized $3,671 and $0, respectively, for these services, which was recorded in brokerage commissions on the statements of operations and paid for by the Fund.

The sole Trustee of the Trust is Wilmington Trust Company, a Delaware banking corporation. The Trustee will accept service of legal process on the Trust in the State of Delaware and will make certain filings under the Delaware Statutory Trust Act. For its services, the Trustee receives an annual fee of $3,300 from the Trust. For the six months ended June 30, 2016 and 2015, the Fund did not recognize any expense for these services. This expense is recorded in business permits and licenses fees on the statements of operations.

Note 3 Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as detailed in the Financial Accounting Standards Board s Accounting Standards Codification.

Revenue Recognition

Commodity futures contracts are recorded on the trade date. All such transactions are recorded on the identified cost basis and marked to market daily. Unrealized appreciation or depreciation on commodity futures contracts are reflected in the statements of assets and liabilities as the difference between the original contract amount and the fair

market value as of the last business day of the year or as of the last date of the financial statements. Changes in the appreciation or depreciation between periods are reflected in the statements of operations. Interest on cash equivalents and deposits with the Futures Commission Merchant are recognized on the accrual basis. The Fund earns interest on its assets denominated in U.S. dollars on deposit with the Futures Commission Merchant. In addition, the Fund earns interest on funds held at the custodian at prevailing market rates for such investments.

Brokerage Commissions

Brokerage commissions on all open commodity futures contracts are accrued on the trade date and on a full-turn basis.

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Income Taxes

For tax purposes, the Fund will be treated as a partnership. The Fund does not record a provision for income taxes because the shareholders report their share of the Fund s income or loss on their income tax returns. The financial statements reflect the Fund s transactions without adjustment, if any, required for income tax purposes.

The Fund is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Fund files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states and foreign jurisdictions. For all tax years 2013 to 2015, the Fund remains subject to income tax examinations by major taxing authorities. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized results in the Fund recording a tax liability that reduces net assets. Based on its analysis, the Fund has determined that it has not incurred any liability for tax benefits as of June 30, 2016 and for the years ended December 31, 2015, 2014 and 2013. However, the Fund s conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, ongoing analysis of and changes to tax laws, regulations, and interpretations thereof.

The Fund recognizes interest accrued related to unrecognized tax benefits and penalties related to unrecognized tax benefits in income tax fees payable, if assessed. No interest expense or penalties have been recognized as of and for the six months ended June 30, 2016 and 2015.

The Fund may be subject to potential examination by U.S. federal, U.S. state, or foreign jurisdictional authorities in the area of income taxes. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions, and compliance with U.S. federal, U.S. state and foreign tax laws. The Fund s management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

Creations and Redemptions

Authorized Purchasers may purchase Creation Baskets consisting of 25,000 shares from the Fund. The amount of the proceeds required to purchase a Creation Basket will be equal to the NAV of the shares in the Creation Basket determined as of 4:00 p.m. New York time on the day the order to create the basket is properly received.

Authorized Purchasers may redeem shares from the Fund only in blocks of 25,000 shares called Redemption Baskets. The amount of the redemption proceeds for a Redemption Basket will be equal to the NAV of the shares in the Redemption Basket determined as of 4:00 p.m. New York time on the day the order to redeem the basket is properly received.

The Fund receives or pays the proceeds from shares sold or redeemed within three business days after the trade date of the purchase or redemption. The amounts due from Authorized Purchasers are reflected in the Fund s statements of assets and liabilities as receivable for shares sold. Amounts payable to Authorized Purchasers upon redemption are reflected in the Fund s statements of assets and liabilities as payable for shares redeemed.

As outlined in the most recent Form S-1 filing, 50,000 shares represents two Redemption Baskets for the Fund and a minimum level of shares.

Allocation of Shareholder Income and Losses

Profit or loss is allocated among the shareholders of the Fund in proportion to the number of shares each shareholder holds as of the close of each month.

Cash Equivalents

Cash equivalents are highly-liquid investments with maturity dates of 90 days or less when acquired. The Fund reported its cash equivalents in the statements of assets and liabilities at market value, or at carrying amounts that approximate fair value, because of their highly-liquid nature and short-term maturities. The Fund has these balances of its assets on deposit with banks. The Fund had a balance of $588,890 and $297,460 in money market funds at June 30, 2016 and December 31, 2015, respectively; these balances are included in cash and cash equivalents on the statements of assets and liabilities. Effective in the second quarter 2015, the Sponsor invested a portion of the available cash for the Fund in alternative demand-deposit savings accounts, which is classified as cash and not as a cash equivalent. The Fund had a balance of $5,997,904 as of June 30, 2016 and $4,635,331 as of December 31, 2015 in a demand-deposit savings account. This change resulted in a reduction in the balance held in money market funds. Assets deposited with financial institutions, at times, exceed federally insured limits.

Restricted Cash

On August 17, 2015 (the Conversion Date), U.S. Bank N.A. replaced The Bank of New York Mellon as the Custodian for the Funds. Per the amended agreement between the Sponsor and The Bank of New York Mellon dated August 14, 2015, certain cash amounts for each Fund, except in the case of TAGS, are to remain at The Bank of New York Mellon until amounts for services and early termination fees are paid. The amended agreement allows for payments for such amounts owed to be made through December 31, 2017. Cash balances that are held in custody at The Bank of New York Mellon under this amended agreement are reflected on the statements of assets and liabilities of the Fund and the Trust as restricted cash.

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Due from/to Broker

The amount recorded by the Fund for the amount due from and to the clearing broker includes, but is not limited to, cash held by the broker, amounts payable to the clearing broker related to open transactions and payables for commodities futures accounts liquidating to an equity balance on the clearing broker s records.

Margin is the minimum amount of funds that must be deposited by a commodity interest trader with the trader s broker to initiate and maintain an open position in futures contracts. A margin deposit acts to assure the trader s performance of the futures contracts purchased or sold. Futures contracts are customarily bought and sold on initial margin that represents a very small percentage of the aggregate purchase or sales price of the contract. Because of such low margin requirements, price fluctuations occurring in the futures markets may create profits and losses that, in relation to the amount invested, are greater than are customary in other forms of investment or speculation. As discussed below, adverse price changes in the futures contract may result in margin requirements that greatly exceed the initial margin. In addition, the amount of margin required in connection with a particular futures contract is set from time to time by the exchange on which the contract is traded and may be modified from time to time by the exchange during the term of the contract. Brokerage firms, such as the Fund s clearing brokers, carrying accounts for traders in commodity interest contracts generally require higher amounts of margin as a matter of policy to further protect themselves. Over-the-counter trading generally involves the extension of credit between counterparties, so the counterparties may agree to require the posting of collateral by one or both parties to address credit exposure.

When a trader purchases an option, there is no margin requirement; however, the option premium must be paid in full. When a trader sells an option, on the other hand, he or she is required to deposit margin in an amount determined by the margin requirements established for the underlying interest and, in addition, an amount substantially equal to the current premium for the option. The margin requirements imposed on the selling of options, although adjusted to reflect the probability that out-of-the-money options will not be exercised, can in fact be higher than those imposed in dealing in the futures markets directly. Complicated margin requirements apply to spreads and conversions, which are complex trading strategies in which a trader acquires a mixture of options positions and positions in the underlying interest.

Ongoing or maintenance margin requirements are computed each day by a trader s clearing broker. When the market value of a particular open futures contract changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a margin call is made by the broker. If the margin call is not met within a reasonable time, the broker may close out the trader s position. With respect to the Fund s trading, the Fund (and not its shareholders personally) is subject to margin calls.

Finally, many major U.S. exchanges have passed certain cross margining arrangements involving procedures pursuant to which the futures and options positions held in an account would, in the case of some accounts, be aggregated and margin requirements would be assessed on a portfolio basis, measuring the total risk of the combined positions.

Calculation of Net Asset Value

The Fund s NAV is calculated by:

Taking the current market value of its total assets and

Subtracting any liabilities.

The administrator, USBFS, calculates the NAV of the Fund once each trading day. It calculates the NAV as of the earlier of the close of the NYSE or 4:00 p.m. New York time. The NAV for a particular trading day is released after 4:15 p.m. New York time.

In determining the value of Sugar Futures Contracts, the administrator uses the ICE closing price. The administrator determines the value of all other Fund investments as of the earlier of the close of the NYSE or 4:00 p.m. New York time. The value of over-the-counter sugar interests is determined based on the value of the commodity or futures contract underlying such sugar interest, except that a fair value may be determined if the Sponsor believes that the Fund is subject to significant credit risk relating to the counterparty to such sugar interest. For purposes of financial statements and reports, the Sponsor will recalculate the NAV where necessary to reflect the fair value of a Futures Contract when the Futures Contract closes at its price fluctuation limit for the day. Treasury securities held by the Fund are valued by the administrator using values received from recognized third-party vendors and dealer quotes. NAV includes any unrealized profit or loss on open sugar interests and any other income or expense accruing to the Fund but unpaid or not received by the Fund.

Sponsor Fee, Allocation of Expenses and Related Party Transactions

The Sponsor is responsible for investing the assets of the Fund in accordance with the objectives and policies of the Fund. In addition, the Sponsor arranges for one or more third parties to provide administrative, custodial, accounting, transfer agency and other necessary services to the Trust and the Funds. In addition, the Sponsor elected not to outsource services directly attributable to the Trust and the Funds such as accounting, financial reporting, regulatory compliance and trading activities. In addition, the Fund is contractually obligated to pay a monthly management fee to the Sponsor, based on average daily net assets, at a rate equal to 1.00% per annum.

The Fund generally pays for all brokerage fees, taxes and other expenses, including licensing fees for the use of intellectual property, registration or other fees paid to the SEC, FINRA, formerly the National Association of Securities Dealers, or any other regulatory agency in connection with the offer and sale of subsequent Shares after its initial registration and all legal, accounting, printing and other expenses associated therewith. The Fund also pays its portion of the fees and expenses associated with the Trust s tax accounting and reporting requirements. Certain aggregate expenses common to all Funds within the Trust are allocated by the Sponsor to the respective funds based on activity drivers deemed most appropriate by the Sponsor for such expenses, including but not limited to relative assets under management and creation and redeem order activity.

These aggregate common expenses include, but are not limited to, legal, auditing, accounting and financial reporting, tax-preparation, regulatory compliance, trading activities, and insurance costs, as well as fees paid to the Distributor, which are included in the related line item in the statements of operations. A portion of these aggregate common expenses are related to the Sponsor or related parties of principals of the Sponsor; these are necessary services to the Funds, which are primarily the cost of performing accounting and financial reporting, regulatory compliance, and trading activities that are directly attributable to the Fund. For the three months ended June 30, 2016 and 2015, such expenses, which are primarily included as distribution and marketing fees, totaled $26,784 in 2016 and $7,491 in 2015; of these amounts, $26,784 in 2016 and $966 in 2015 were waived by the Sponsor. For the six months ended

June 30, 2016 and 2015, such expenses, which are primarily included as distribution and marketing fees, totaled $68,357 in 2016 and $15,757 in 2015; of these amounts, $37,067 in 2016 and $7,095 in 2015 were waived by the Sponsor. All asset-based fees and expenses for the Funds are calculated on the prior day s net assets.

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For the three months ended June 30, 2016 and 2015, there were $58,406 and $71,409, respectively, of expenses that were identified on the statements of operations of the Fund as expenses that were waived by the Sponsor. The Sponsor has determined that there would be no recovery sought for these amounts in any future period.

For the six months ended June 30, 2016 and 2015, there were $73,386 and $87,825, respectively, of expenses that were identified on the statements of operations of the Fund as expenses that were waived by the Sponsor. The Sponsor has determined that there would be no recovery sought for these amounts in any future period.

Use of Estimates

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

Fair Value - Definition and Hierarchy

In accordance with U.S. GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Fund uses various valuation approaches. In accordance with U.S. GAAP, a fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Fund. Unobservable inputs reflect the Fund s assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 financial instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these financial instruments does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from financial instrument to financial instrument and is affected by a wide variety of factors including, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the

transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the financial instruments existed. Accordingly, the degree of judgment exercised by the Fund in determining fair value is greatest for financial instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy, within which the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Fund s own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Fund uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many financial instruments. This condition could cause a financial instrument to be reclassified to a lower level within the fair value hierarchy. When such a situation exists on a quarter close, the Sponsor will calculate the NAV on a particular day using the Level 1 valuation, but will later recalculate the NAV for the impacted Fund based upon the valuation inputs from these alternative verifiable sources (Level 2 or Level 3) and will report such NAV in its applicable financial statements and reports.

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On June 30, 2016 and December 31, 2015, in the opinion of the Trust and the Fund, the reported value of the Sugar Futures Contracts traded on the ICE fairly reflected the value of the Sugar Futures Contracts held by the Fund, and no adjustments were necessary. The determination is made as of the settlement of the futures contracts on the last day of trading for the reporting period. In making the determination of a Level 1 or Level 2 transfer, the Fund considers the average volume of the specific underlying futures contracts traded on the relevant exchange for the periods being reported.

For the six months ended June 30, 2016 and year ended December 31, 2015, the Fund did not have any significant transfers between any of the levels of the fair value hierarchy.

The Fund records its derivative activities at fair value. Gains and losses from derivative contracts are included in the statements of operations. Derivative contracts include futures contracts related to commodity prices. Futures, which are listed on a national securities exchange, such as the CBOT and the ICE, or reported on another national market, are generally categorized in Level 1 of the fair value hierarchy. OTC derivatives contracts (such as forward and swap contracts) which may be valued using models, depending on whether significant inputs are observable or unobservable, are categorized in Levels 2 or 3 of the fair value hierarchy.

Net Income (Loss) per Share

Net income (loss) per share is the difference between the NAV per unit at the beginning of each period and at the end of each period. The weighted average number of units outstanding was computed for purposes of disclosing net income (loss) per weighted average unit. The weighted average units are equal to the number of units outstanding at the end of the period, adjusted proportionately for units created or redeemed based on the amount of time the units were outstanding during such period.

New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) issued ASU 2016-11, Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting. The amendments make targeted improvements to clarify the principal versus agent assessment and are intended to make the guidance more operable and lead to more consistent application. The amendments in this update are effective immediately. The Sponsor has analyzed the ASU and its amendments and does not expect the adoption will have a material impact on the financial statements and disclosures of the Trust or the Funds.

The FASB issued ASU 2016-02, Leases (Topic 842). The amendment in this update increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this update are effective for fiscal years beginning after December 15, 2018. This update will not have a material impact on the financial statements and disclosures of the Trust or the Funds.

The FASB issued ASU 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this update are intended to improve the recognitions measurement and disclosure of financial instruments. The amendments to this update are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. These amendments are required to be applied prospectively. The Trust and the Fund are currently evaluating the impact on the financial statements and disclosures.

The FASB issued ASU 2015-10, Technical Corrections and Improvements. The amendments in this update represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments are effective for fiscal years beginning after December 15, 2015. The adoption did not have a material impact on the financial statements and disclosures of the Trust or the Fund.

The FASB issued ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). The ASU amends ASC 820 to create a practical expedient to measure the fair value of investments in certain entities that do not have a quoted market price but calculate net asset value per share or its equivalent. In addition, the amendments to ASC 820 provide guidance on classifying investments that are measured using the practical expedient in the fair value hierarchy and require specific disclosures for eligible investments, regardless of whether the practical expedient has been applied. The amendments in this Update are effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. These amendments are required to be applied retrospectively to all periods presented. The adoption did not have a material impact on the financial statements and disclosures of the Trust or the Fund.

The FASB issued ASU 2015-06, Earnings per Share (Topic 260): Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions. The amendments specify how earnings (losses) of a transferred business before the date of a dropdown transaction should be allocated to the various interest holders in a master limited partnership for purposes of calculating earning per unit under the two-class method. The amendments to this update are effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The amendments are required to be applied retrospectively for all periods presented. The adoption did not have a material impact on the financial statements and disclosures of the Trust or the Fund.

The FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. The amendments are intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures. The amendments to this update are effective for periods beginning after December 15, 2015. These amendments are required to be applied retrospectively for all periods presented. The adoption did not have a material impact on the financial statements and disclosures of the Trust or the Fund.

The FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The amendments in this update change the requirements for reporting discontinued operations in Subtopic 2015-20. A significant provision of ASU 2014-08 calls for reporting as discontinued operations only those disposals that represent a strategic shift or have a major impact on the entity s financial results and operations. The Company elected to early adopt this ASU for the year ended December 31, 2014 and the adoption did not have a significant impact on the financial statements and disclosures of the Fund.

Note 4 Fair Value Measurements

The Fund s assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy as described in the Fund s significant accounting policies in Note 3. The following table presents information about the Fund s assets and liabilities measured at fair value as of June 30, 2016 and December 31, 2015:

June 30, 2016

Assets:	Level 1	Level 2	Level 3	Balance as of June 30, 2016
Cash equivalents	$ 588,890	$ -	$ -	$ 588,890
Sugar futures contracts	747,924	-	-	747,924
Total	$ 1,336,814	$ -	$ -	$ 1,336,814

Liabilities:	Level 1	Level 2	Level 3	Balance as of June 30, 2016
Sugar futures contracts	$ 60,346	$ -	$ -	$ 60,346

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December 31, 2015

Assets:	Level 1	Level 2	Level 3	Balance as of December 31, 2015
Cash equivalents	$ 297,460	$ -	$ -	$ 297,460
Sugar futures contracts	364,056	-	-	364,056
Total	$ 661,516	$ -	$ -	$ 661,516

For the six months ended June 30, 2016 and year ended December 31, 2015, the Fund did not have any significant transfers between any of the levels of the fair value hierarchy.

See the **Fair Value - Definition and Hierarchy** section in Note 3 above for an explanation of the transfers into and out of each level of the fair value hierarchy.

Note 5 Derivative Instruments and Hedging Activities

In the normal course of business, the Fund utilizes derivative contracts in connection with its proprietary trading activities. Investments in derivative contracts are subject to additional risks that can result in a loss of all or part of an investment. The Fund s derivative activities and exposure to derivative contracts are classified by the following primary underlying risks: interest rate, credit, commodity price, and equity price risks. In addition to its primary underlying risks, the Fund is also subject to additional counterparty risk due to inability of its counterparties to meet the terms of their contracts. For the six months ended June 30, 2016 and year ended December 31, 2015, the Fund invested only in commodity futures contracts.

Futures Contracts

The Fund is subject to commodity price risk in the normal course of pursuing its investment objectives. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

The purchase and sale of futures contracts requires margin deposits with a FCM. Subsequent payments (variation margin) are made or received by the Fund each day, depending on the daily fluctuations in the value of the contract, and are recorded as unrealized gains or losses by the Fund. Futures contracts may reduce the Fund s exposure to counterparty risk since futures contracts are exchange-traded; and the exchange s clearinghouse, as the counterparty to all exchange-traded futures, guarantees the futures against default.

The Commodity Exchange Act requires an FCM to segregate all customer transactions and assets from the FCM s proprietary activities. A customer s cash and other equity deposited with an FCM are considered commingled with all other customer funds subject to the FCM s segregation requirements. In the event of an FCM s insolvency, recovery may be limited to the Fund s pro rata share of segregated customer funds available. It is possible that the recovery

amount could be less than the total of cash and other equity deposited.

The following table discloses information about offsetting assets and liabilities presented in the statements of assets and liabilities to enable users of these financial statements to evaluate the effect or potential effect of netting arrangements for recognized assets and liabilities. These recognized assets and liabilities are presented as defined in FASB ASU No. 2011-11 Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities and subsequently clarified in FASB ASU 2013-01 Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities.

The following table also identifies the fair value amounts of derivative instruments included in the statements of assets and liabilities as derivative contracts, categorized by primary underlying risk and held by the FCM, ED&F Man as of June 30, 2016 and December 31, 2015.

Offsetting of Financial Assets and Derivative Assets as of June 30, 2016

	(i)	(ii)	(iii) = (i) (ii)	(iv)		(v) = (iii) (iv)
Description	Gross Amount of Recognized Assets	Gross Amount Offset in the Statement of Assets and Liabilities	Net Amount Presented in the Statement of Assets and Liabilities	Gross Amount Not Offset in the Statement of Assets and Liabilities Futures Contracts Available for Offset	Collateral, Due to Broker	Net Amount
Commodity price						
Sugar futures contracts	$ 747,924	$ -	$ 747,924	$ 60,346	$ 327,633	$ 359,945

	(i)	(ii)	(iii) = (i) (ii)	(iv)		(v) = (iii) (iv)
	Gross Amount of Recognized	Gross Amount Offset in the Statement of Assets and	Net Amount Presented in the Statement of Assets and	Gross Amount Not Offset in the Statement of Assets and Liabilities Futures Contracts	Collateral, Due	

Description	Liabilities	Liabilities	Liabilities	Available for Offset	Cash Collateral, Due to Broker	Net Amount
Commodity price						
Sugar futures contracts	$ 60,346	$ -	$ 60.346	$ 60,346	$ -	$ -

Offsetting of Financial Assets and Derivative Assets as of December 31, 2015

	(i)	(ii)	(iii) = (i) (ii)	(iv)		(v) = (iii) (iv)
Description	Gross Amount of Recognized Assets	Gross Amount Offset in the Statement of Assets and Liabilities	Net Amount Presented in the Statement of Assets and Liabilities	Gross Amount Not Offset in the Statement of Assets and Liabilities: Futures Contracts Available for Offset	Gross Amount Not Offset in the Statement of Assets and Liabilities: Cash Collateral, Due to Broker	Net Amount
Commodity price						
Sugar futures contracts	$ 364,056	$ -	$ 364,056	$ -	$ -	$ 364,056

The following tables identify the net gain and loss amounts included in the statements of operations as realized and unrealized gains and losses on trading of commodity futures contracts categorized by primary underlying risk:

Three months ended June 30, 2016

Primary Underlying Risk	Realized Gain on Commodity Futures Contracts	Net Change in Unrealized Appreciation or Depreciation on Commodity Futures Contracts
Commodity price		
Sugar futures contracts	$ 1,010,632	$ 325,998

Three months ended June 30, 2015

Primary Underlying Risk	Realized Loss on Commodity Futures Contracts	Net Change in Unrealized Appreciation or Depreciation on Commodity Futures Contracts

Commodity price		
Sugar futures contracts	$ (505,713)	$ 414,623

Six months ended June 30, 2016

Primary Underlying Risk	Realized Gain on Commodity Futures Contracts	Net Change in Unrealized Appreciation or Depreciation on Commodity Futures Contracts
Commodity price		
Sugar futures contracts	$ 1,008,874	$ 323,523

Six months ended June 30, 2015

Primary Underlying Risk	Realized Loss on Commodity Futures Contracts	Net Change in Unrealized Appreciation or Depreciation on Commodity Futures Contracts
Commodity price		
Sugar futures contracts	$ (839,260)	$ 196,212

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Volume of Derivative Activities

The average notional market value categorized by primary underlying risk for all futures contracts held were $6.4 million and $5.6 million for the three and six months ended June 30, 2016 and $3.6 million and $3.1 million for the same periods in 2015.

Note 6 Financial Highlights

The following table presents per unit performance data and other supplemental financial data for the three and six months ended June 30, 2016 and 2015. This information has been derived from information presented in the financial statements. This information has been derived from information presented in the financial statements and is presented with total expenses gross of expenses waived by the Sponsor and with total expenses net of expenses waived by the Sponsor, as appropriate.

Per Share Operation Performance	**Three months ended June 30, 2016**	**Three months ended June 30, 2015**	**Six months ended June 30, 2016**	**Six months ended June 30, 2015**
Net asset value at beginning of period	$ 10.53	$ 9.56	$ 10.02	$ 11.83
Income (loss) from investment operations:				
Income (loss)	0.01	0.00	0.02	0.00
Net realized and unrealized gain (loss) on commodity futures contracts	2.44	(0.02)	3.00	(2.24)
Total expenses	(0.06)	(0.05)	(0.12)	(0.10)
Net increase (decrease) in net asset value	2.39	(0.07)	2.90	(2.34)
Net asset value at end of period	$ 12.92	$ 9.49	$ 12.92	$ 9.49
Total Return	22.70	(0.73)	28.94 %	(19.78)%
Ratios to Average Net Assets (Annualized)				
Total expenses	6.10 %	10.63 %	5.07 %	7.78 %
Total expenses, net	2.27 %	1.90 %	2.32 %	1.86 %
Net investment loss	(1.77)%	(1.78)%	(1.81)%	(1.78)%

Effective in the third quarter 2015, the financial highlights per share data are calculated consistent with the methodology used to calculate asset-based fees and expenses. In prior periods, the financial highlights per share data are calculated using the average of the daily shares outstanding for the reporting period, which is inclusive of the last

day of the period. Any change in methodology was not material to the ratios presented.

Note 7 Organizational and Offering Costs

Expenses incurred in organizing of the Trust and the initial offering of the Shares of the Fund, including applicable SEC registration fees, were borne directly by the Sponsor. The Fund will not be obligated to reimburse the Sponsor.

Note 8 Subsequent Events

Management has evaluated the financial statements for the quarter-ended June 30, 2016 for subsequent events through the date of this filing and noted no material events requiring either recognition through the date of the filing or disclosure herein for the Fund other than those noted below:

On July 20, 2016, $13,000 of cash that had been held in custody at The Bank of New York Mellon was transferred to the Fund s account at U.S. Bank. The balance for Restricted Cash is $100,068 as of this filing.

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TEUCRIUM WHEAT FUND

STATEMENTS OF ASSETS AND LIABILITIES

	June 30, 2016 (Unaudited)	**December 31, 2015**
Assets		
Cash and cash equivalents	$ 33,242,199	$ 24,579,091
Interest receivable	680	297
Restricted cash	-	22,610
Other assets	382,964	153,564
Capital shares receivable	821,610	
Equity in trading accounts:		
Due from broker	5,686,737	3,721,388
Total assets	40,134,190	28,476,950
Liabilities		
Management fee payable to Sponsor	26,615	23,226
Other liabilities	250	
Equity in trading accounts:		
Commodity futures contracts	3,339,713	1,924,464
Total liabilities	3,366,578	1,947,690
Net assets	$ 36,767,612	$ 26,529,260
Shares outstanding	4,475,004	2,900,004
Net asset value per share	$ 8.22	$ 9.15
Market value per share	$ 8.25	$ 9.14

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

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TEUCRIUM WHEAT FUND

SCHEDULE OF INVESTMENTS
June 30, 2016

(Unaudited)

Description: Assets	**Fair Value**	**Percentage of Net Assets**		**Shares**
Cash equivalents				
Money market funds				
Fidelity Institutional Money Market Funds - Government Portfolio (cost $3,975,032)	$3,975,032	10.81	%	3,975,032

Description: Liabilities	**Fair Value**	**Percentage of Net Assets**		**Notional Amount (Long Exposure)**
Commodity futures contracts				
United States wheat futures contracts				
CBOT wheat futures SEP16 (577contracts)	$1,128,975	3.07	%	$12,852,675
CBOT wheat futures DEC16 (474 contracts)	1,777,563	4.83		11,032,350
CBOT wheat futures DEC17 (489 contracts)	433,175	1.18		12,866,813
Total commodity futures contracts	$3,339,713	9.08	%	$36,751,838

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

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TEUCRIUM WHEAT FUND

SCHEDULE OF INVESTMENTS
December 31, 2015

Description: Assets	Fair Value	Percentage of Net Assets	Shares
Cash equivalents			
Money market funds			
Fidelity Institutional Prime Money Market Portfolio (cost $1,179,366)	$1,179,336	4.45 %	1,179,336

Description: Liabilities	Fair Value	Percentage of Net Assets	Notional Amount (Long Exposure)
Commodity futures contracts			
United States wheat futures contracts			
CBOT wheat futures MAY16 (390 contracts)	$379,713	1.43 %	$ 9,291,750
CBOT wheat futures JUL16 (330 contracts)	331,313	1.25	7,973,625
CBOT wheat futures DEC16 (366 contracts)	1,213,438	4.57	9,287,250
Total commodity futures contracts	$ 1,924,464	7.25 %	$ 26,552,625

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

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TEUCRIUM WHEAT FUND

STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Income				
Realized and unrealized gain (loss) on trading of commodity futures contracts:				
Realized loss on commodity futures contracts	$ (997,587)	$ (1,566,074)	$ (1,566,700)	$ (2,273,313)
Net change in unrealized appreciation or depreciation on commodity futures contracts	(1,812,239)	5,441,563	(1,415,250)	3,252,413
Interest income	37,943	7,736	70,563	8,746
Total (loss) income	(2,771,883)	3,883,225	(2,911,387)	987,846
Expenses				
Management fees	71,896	61,496	134,090	111,623
Professional fees	50,890	37,040	92,097	109,917
Distribution and marketing fees	132,882	78,056	247,209	109,765
Custodian fees and expenses	18,507	47,748	33,201	56,748
Business permits and licenses fees	4,313	13,128	8,045	13,804
General and administrative expenses	16,286	11,470	33,663	26,958
Brokerage commissions	7,190	3,075	13,409	5,412
Other expenses	7,439	1,773	13,439	6,272
Total expenses	309,403	253,786	575,153	440,499
Expenses waived by the Sponsor	-	(17,000)	-	(31,300)
Total expenses, net	309,403	236,786	575,153	409,199
Net (loss) income	$ (3,081,286)	$ 3,646,439	$ (3,486,540)	$ 578,647
Net (loss) income per share	$ (0.79)	$ 1.30	$ (0.93)	$ (0.51)
Net (loss) income per weighted average share	$ (0.95)	$ 1.55	$ (1.16)	$ 0.28
Weighted average shares outstanding	3,248,905	2,350,279	3,017,312	2,082,877

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

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TEUCRIUM WHEAT FUND

STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

	Six months ended June 30, 2016	Six months ended June 30, 2015
Operations		
Net (loss) income	$ (3,486,540)	$ 578,647
Capital transactions		
Issuance of Shares	15,947,132	12,942,408
Redemption of Shares	(2,222,240)	(3,428,485)
Total capital transactions	13,724,892	9,513,923
Net change in net assets	10,238,352	10,092,570
Net assets, beginning of period	$ 26,529,260	$ 22,263,457
Net assets, end of period	$ 36,767,612	$ 32,356,027
Net asset value per share at beginning of period	$ 9.15	$ 12.72
Net asset value per share at end of period	$ 8.22	$ 12.21
Creation of Shares	1,825,000	1,200,000
Redemption of Shares	250,000	300,000

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

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TEUCRIUM WHEAT FUND

STATEMENTS OF CASH FLOWS

(Unaudited)

	Six months ended June 30, 2016	Six months ended June 30, 2015
Cash flows from operating activities:		
Net (loss) income	$ (3,486,540)	$ 578,647
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Net change in unrealized appreciation or depreciation on commodity futures contracts	1,415,250	(3,252,413)
Changes in operating assets and liabilities:		
Due from broker	(1,965,349)	-
Interest receivable	(384)	1,499
Restricted cash	22,610	-
Other assets	(229,400)	(62,612)
Due to broker	-	676,745
Management fee payable to Sponsor	3,389	(522)
Other liabilities	250	31,739
Net cash used in operating activities	(4,240,174)	(2,026,917)
Cash flows from financing activities:		
Proceeds from sale of Shares	15,125,522	12,942,408
Redemption of Shares	(2,222,240)	(3,428,485)
Net cash provided by financing activities	12,903,282	9,513,923
Net change in cash and cash equivalents	8,663,108	7,487,006
Cash and cash equivalents, beginning of period	24,579,091	21,568,368
Cash and cash equivalents, end of period	$ 33,242,199	$ 29,055,374

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

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NOTES TO FINANCIAL STATEMENTS

June 30, 2016

(Unaudited)

Note 1 Organization and Operation

Teucrium Wheat Fund (referred to herein as WEAT or the Fund) is a commodity pool that is a series of Teucrium Commodity Trust (Trust), a Delaware statutory trust formed on September 11, 2009. The Fund issues common units, called the Shares, representing fractional undivided beneficial interests in the Fund. The Fund continuously offers Creation Baskets consisting of 25,000 Shares at their Net Asset Value (NAV) to Authorized Purchasers through Foreside Fund Services, LLC, which is the distributor for the Fund (the Distributor). Authorized Purchasers sell such Shares, which are listed on the New York Stock Exchange (NYSE) Arca under the symbol WEAT, to the public at per-Share offering prices that reflect, among other factors, the trading price of the Shares on the NYSE Arca, the NAV of the Fund at the time the Authorized Purchaser purchased the Creation Baskets and the NAV at the time of the offer of the Shares to the public, the supply of and demand for Shares at the time of sale, and the liquidity of the markets for wheat interests. The Fund s Shares trade in the secondary market on the NYSE Arca at prices that are lower or higher than their NAV per Share.

The investment objective of WEAT is to have the daily changes in percentage terms of the Shares NAV reflect the daily changes in percentage terms of a weighted average of the closing settlement prices for three futures contracts for wheat (Wheat Futures Contracts) that are traded on the CBOT, specifically: (1) the second-to-expire CBOT Wheat Futures Contract, weighted 35%, (2) the third-to-expire CBOT Wheat Futures Contract, weighted 30%, and (3) the CBOT Wheat Futures Contract expiring in the December following the expiration month of the third-to-expire contract, weighted 35%.

The Fund commenced investment operations on September 19, 2011 and has a fiscal year ending December 31. The Fund s sponsor is Teucrium Trading, LLC (the Sponsor). The Sponsor is responsible for the management of the Fund. The Sponsor is a member of the National Futures Association (the NFA) and became a commodity pool operator registered with the Commodity Futures Trading Commission (the CFTC) effective November 10, 2009.

On June 17, 2011, the Fund s registration of 10,000,000 shares on Form S-1 was declared effective by the SEC. On September 19, 2011, the Fund listed its shares on the NYSE Arca under the ticker symbol WEAT. On the business

day prior to that, the Fund issued 100,000 shares in exchange for $2,500,000 at the Fund s initial NAV of $25 per share. The Fund also commenced investment operations on September 19, 2011 by purchasing commodity futures contracts traded on the CBOT. On December 31, 2010, the Fund had four shares outstanding, which were owned by the Sponsor. On June 30, 2014, a subsequent registration statement for WEAT was declared effective by the SEC. On July 15, 2016, a subsequent registration statement for WEAT was declared effective. This registration statement for WEAT registered an additional 24,050,000 shares; therefore as of July 15, 2016 has 25,350,000 available.

The accompanying unaudited financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X promulgated by the SEC and, therefore, do not include all information and footnote disclosures required under accounting principles generally accepted in the United States of America (GAAP). The financial information included herein is unaudited; however, such financial information reflects all adjustments which are, in the opinion of management, necessary for the fair presentation of the Fund s financial statements for the interim period. It is suggested that these interim financial statements be read in conjunction with the financial statements and related notes included in the Trust s Annual Report on Form 10-K, as well as the most recent Form S-1 filing, as applicable. The operating results for the six months ended June 30, 2016 are not necessarily indicative of the results to be expected for the full year ending December 31, 2016.

Subject to the terms of the Trust Agreement, Teucrium Trading, LLC, in its capacity as the Sponsor (Sponsor), may terminate a Fund at any time, regardless of whether the Fund has incurred losses, including, for instance, if it determines that the Fund s aggregate net assets in relation to its operating expenses make the continued operation of the Fund unreasonable or imprudent. However, no level of losses will require the Sponsor to terminate a Fund.

Note 2 Principal Contracts and Agreements

On August 17, 2015 (the Conversion Date), U.S. Bank N.A. replaced The Bank of New York Mellon as the Custodian for the Funds. The principal business address for U.S. Bank N.A. is 1555 North Rivercenter Drive, Suite 302, Milwaukee, Wisconsin 53212. U.S. Bank N.A. is a Wisconsin state chartered bank subject to regulation by the Board of Governors of the Federal Reserve System and the Wisconsin State Banking Department. The principal address for U.S. Bancorp Fund Services, LLC (USBFS) is 777 East Wisconsin Avenue, Milwaukee, WI, 53202. In addition, effective on the Conversion Date, USBFS, a wholly owned subsidiary of U.S. Bank, commenced serving as administrator for each Fund, performing certain administrative and accounting services and preparing certain SEC reports on behalf of the Funds, and also became the registrar and transfer agent for each Fund s Shares. For such services, U.S. Bank and USBFS will receive an asset-based fee, subject to a minimum annual fee. The Sponsor does not anticipate any material change to the expenses for any Fund, net of expenses waived by the Sponsor, as a result of the servicing conversion to USBFS and U.S. Bank.

Given this conversion, beginning with the quarter ended June 30, 2015 and for the year-ended December 31, 2015, the statements of operations reflected an expense, before and after fees waived by the Sponsor, for fees associated with Custodian, Fund Administration and Transfer Agent services (Custodian Fees) that have or will be paid to the Bank of New York Mellon by a Fund or by the Sponsor on behalf of a Fund. The Custodian Fees reflected in the financial statements through December 31, 2015, net of expenses waived by the Sponsor, are generally as had been presented in prior periods of 2015. Therefore, for the quarter ended June 30, 2015, the Custodian Fees reflected for that period do not include any increase, gross or net of expenses waived by the Sponsor, for the change in service providers discussed above.

For custody services, the Funds will pay to U.S. Bank N.A. 0.0075% of average gross assets up to $1 billion, and .0050% of average gross assets over $1 billion, annually, plus certain per-transaction charges. For Transfer Agency, Fund Accounting and Fund Administration services, which are based on the total assets for all the Funds in the Trust, the Funds will pay to USBFS 0.06% of average gross assets on the first $250 million, 0.05% on the next $250 million, 0.04% on the next $500 million and 0.03% on the balance over $1 billion annually. A combined minimum annual fee of up to $64,500 for custody, transfer agency, accounting and administrative services is assessed per Fund. For the three months ended June 30, 2016 and 2015, the Fund recognized $18,507 and $47,748, respectively, for these services, which was recorded in custodian fees and expenses on the statements of operations; of these expenses, $0 in 2016 and $17,000 in 2015 were waived by the Sponsor. For the six months ended June 30, 2016 and 2015, the Fund recognized $33,201 and $56,748, respectively, for these services, which was recorded in custodian fees and expenses on the statements of operations; of these expenses, $0 in 2016 and $17,000 in 2015 were waived by the Sponsor.

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The Sponsor employs Foreside Fund Services, LLC (Foreside or the Distributor) as the Distributor for the Funds. The Distribution Services Agreement among the Distributor and the Sponsor calls for the Distributor to work with the Custodian in connection with the receipt and processing of orders for Creation Baskets and Redemption Baskets and the review and approval of all Fund sales literature and advertising materials. The Distributor and the Sponsor have also entered into a Securities Activities and Service Agreement (the SASA) under which certain employees and officers of the Sponsor are licensed as registered representatives or registered principals of the Distributor, under Financial Industry Regulatory Authority (FINRA) rules. For its services as the Distributor, Foreside receives a fee of 0.01% of the Fund s average daily net assets and an aggregate annual fee of $100,000 for all Teucrium Funds, along with certain expense reimbursements. For its services under the SASA, Foreside receives a fee of $5,000 per registered representative and $1,000 per registered location. For the three months ended June 30, 2016 and 2015, the Fund recognized $9,997 and $8,336, respectively, for these services, which was recorded in distribution and marketing fees on the statements of operations and paid for by the Fund. For the six months ended June 30, 2016 and 2015, the Fund recognized $22,711 and $15,484, respectively, for these services, which was recorded in distribution and marketing fees on the statements of operations and paid for by the Fund.

On January 2, 2015, Newedge USA, LLC (Newedge USA) merged with and into SG Americas Securities, LLC (SG), with the latter as the surviving entity. On February 6, 2015 Jefferies LLC (Jefferies) became the Funds FCM and primary clearing broker. All futures contracts held by SG were transferred to Jefferies on that date. As of February 23, 2015 all residual cash balances held at SG had been transferred to Jefferies and the balance in all SG accounts was $0. Effective June 3, 2015, ED&F Man Capital Markets Inc. (ED&F Man) replaced Jefferies as the Underlying Funds FCM and the clearing broker to execute and clear the Underlying Fund s futures and provide other brokerage-related services. As of June 4, 2015 all futures contracts and residual cash balances held at Jefferies had been transferred to ED&F Man and the balance in all Jefferies accounts was $0.

Currently, ED&F Man serves as the Underlying Funds clearing broker to execute and clear the Underlying Funds futures and provide other brokerage-related services. ED&F Man is registered as a FCM with the U.S. CFTC and is a member of the NFA. ED&F Man is also registered as a broker/dealer with the U.S. Securities and Exchange Commission and is a member of the FINRA. ED&F Man is a clearing member of ICE Futures U.S., Inc., Chicago Board of Trade, Chicago Mercantile Exchange, New York Mercantile Exchange, and all other major United States commodity exchanges. For Corn, Soybean, Sugar and Wheat Futures Contracts ED&F Man, Jefferies and SG was paid $8.00 per round turn. Effective January 1, 2016, ED&F Man, increased the per round-term charge for futures contracts commission to $9.00. For the three months ended June 30, 2016 and 2015, the Fund recognized $7,190 and $3,075, respectively, for these services, which was recorded in brokerage commissions on the statements of operations and paid for by the Fund. For the six months ended June 30, 2016 and 2015, the Fund recognized $13,409 and $5,412, respectively, for these services, which was recorded in brokerage commissions on the statements of operations and paid for by the Fund.

The sole Trustee of the Trust is Wilmington Trust Company, a Delaware banking corporation. The Trustee will accept service of legal process on the Trust in the State of Delaware and will make certain filings under the Delaware Statutory Trust Act. For its services, the Trustee receives an annual fee of $3,300 from the Trust. For the six months ended June 30, 2016 and 2015, the Fund did not recognize any expense for these services. This expense is recorded in business permits and licenses fees on the statements of operations.

Note 3 Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as detailed in the Financial Accounting Standards Board s Accounting Standards Codification.

Revenue Recognition

Commodity futures contracts are recorded on the trade date. All such transactions are recorded on the identified cost basis and marked to market daily. Unrealized appreciation or depreciation on commodity futures contracts are reflected in the statements of assets and liabilities as the difference between the original contract amount and the fair market value as of the last business day of the year or as of the last date of the financial statements. Changes in the appreciation or depreciation between periods are reflected in the statements of operations. Interest on cash equivalents and deposits with the Futures Commission Merchant are recognized on the accrual basis. The Fund earns interest on its assets denominated in U.S. dollars on deposit with the Futures Commission Merchant. In addition, the Fund earns interest on funds held at the custodian at prevailing market rates for such investments.

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Brokerage Commissions

Brokerage commissions on all open commodity futures contracts are accrued on the trade date and on a full-turn basis.

Income Taxes

For tax purposes, the Fund will be treated as a partnership. The Fund does not record a provision for income taxes because the shareholders report their share of the Fund s income or loss on their income tax returns. The financial statements reflect the Fund s transactions without adjustment, if any, required for income tax purposes.

The Fund is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Fund files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states and foreign jurisdictions. For all tax years 2013 to 2015, the Fund remains subject to income tax examinations by major taxing authorities. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized results in the Fund recording a tax liability that reduces net assets. Based on its analysis, the Fund has determined that it has not incurred any liability for unrecognized tax benefits as of June 30, 2016 and for the years ended December 31, 2015, 2014 and 2013. However, the Fund s conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, ongoing analysis of and changes to tax laws, regulations, and interpretations thereof.

The Fund recognizes interest accrued related to unrecognized tax benefits and penalties related to unrecognized tax benefits in income tax fees payable, if assessed. No interest expense or penalties have been recognized as of and for the six months ended June 30, 2016 and 2015.

The Fund may be subject to potential examination by U.S. federal, U.S. state, or foreign jurisdictional authorities in the area of income taxes. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions, and compliance with U.S. federal, U.S. state and foreign tax laws. The Fund s management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

Creations and Redemptions

Authorized Purchasers may purchase Creation Baskets consisting of 25,000 shares from the Fund. The amount of the proceeds required to purchase a Creation Basket will be equal to the NAV of the shares in the Creation Basket determined as of 4:00 p.m. New York time on the day the order to create the basket is properly received.

Authorized Purchasers may redeem shares from the Fund only in blocks of 25,000 shares called Redemption Baskets.

The amount of the redemption proceeds for a Redemption Basket will be equal to the NAV of the shares in the Redemption Basket determined as of 4:00 p.m. New York time on the day the order to redeem the basket is properly received.

The Fund receives or pays the proceeds from shares sold or redeemed within three business days after the trade date of the purchase or redemption. The amounts due from Authorized Purchasers are reflected in the Fund s statements of assets and liabilities as receivable for shares sold. Amounts payable to Authorized Purchasers upon redemption are reflected in the Fund s statements of assets and liabilities as payable for shares redeemed.

As outlined in the most recent Form S-1 filing, 50,000 shares represents two Redemption Baskets for the Fund and a minimum level of shares.

Allocation of Shareholder Income and Losses

Profit or loss is allocated among the shareholders of the Fund in proportion to the number of shares each shareholder holds as of the close of each month.

Cash Equivalents

Cash equivalents are highly-liquid investments with maturity dates of 90 days or less when acquired. The Fund reported its cash equivalents in the statements of assets and liabilities at market value, or at carrying amounts that approximate fair value, because of their highly-liquid nature and short-term maturities. The Fund has these balances of its assets on deposit with banks. The Fund had a balance of $3,975,032 and $1,179,336 in money market funds at June 30, 2016 and December 31, 2015, respectively; these balances are included in cash and cash equivalents on the statements of assets and liabilities. Effective in the second quarter 2015, the Sponsor invested a portion of the available cash for the Fund in alternative demand-deposit savings accounts, which is classified as cash and not as a cash equivalent. The Fund had a balance of $29,267,167 as of June 30, 2016 and $23,399,755 as of December 31, 2015 in a demand-deposit savings account. This change resulted in a reduction in the balance held in money market funds. Assets deposited with financial institutions, at times, exceed federally insured limits.

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Due from/to Broker

The amount recorded by the Fund for the amount due from and to the clearing broker includes, but is not limited to, cash held by the broker, amounts payable to the clearing broker related to open transactions and payables for commodities futures accounts liquidating to an equity balance on the clearing broker s records.

Margin is the minimum amount of funds that must be deposited by a commodity interest trader with the trader s broker to initiate and maintain an open position in futures contracts. A margin deposit acts to assure the trader s performance of the futures contracts purchased or sold. Futures contracts are customarily bought and sold on initial margin that represents a very small percentage of the aggregate purchase or sales price of the contract. Because of such low margin requirements, price fluctuations occurring in the futures markets may create profits and losses that, in relation to the amount invested, are greater than are customary in other forms of investment or speculation. As discussed below, adverse price changes in the futures contract may result in margin requirements that greatly exceed the initial margin. In addition, the amount of margin required in connection with a particular futures contract is set from time to time by the exchange on which the contract is traded and may be modified from time to time by the exchange during the term of the contract. Brokerage firms, such as the Fund s clearing brokers, carrying accounts for traders in commodity interest contracts generally require higher amounts of margin as a matter of policy to further protect themselves. Over-the-counter trading generally involves the extension of credit between counterparties, so the counterparties may agree to require the posting of collateral by one or both parties to address credit exposure.

When a trader purchases an option, there is no margin requirement; however, the option premium must be paid in full. When a trader sells an option, on the other hand, he or she is required to deposit margin in an amount determined by the margin requirements established for the underlying interest and, in addition, an amount substantially equal to the current premium for the option. The margin requirements imposed on the selling of options, although adjusted to reflect the probability that out-of-the-money options will not be exercised, can in fact be higher than those imposed in dealing in the futures markets directly. Complicated margin requirements apply to spreads and conversions, which are complex trading strategies in which a trader acquires a mixture of options positions and positions in the underlying interest.

Ongoing or maintenance margin requirements are computed each day by a trader s clearing broker. When the market value of a particular open futures contract changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a margin call is made by the broker. If the margin call is not met within a reasonable time, the broker may close out the trader s position. With respect to the Fund s trading, the Fund (and not its shareholders personally) is subject to margin calls.

Finally, many major U.S. exchanges have passed certain cross margining arrangements involving procedures pursuant to which the futures and options positions held in an account would, in the case of some accounts, be aggregated and margin requirements would be assessed on a portfolio basis, measuring the total risk of the combined positions.

Calculation of Net Asset Value

The Fund s NAV is calculated by:

Taking the current market value of its total assets and

Subtracting any liabilities.

The administrator, USBFS, calculates the NAV of the Fund once each trading day. It calculates the NAV as of the earlier of the close of the NYSE or 4:00 p.m. New York time. The NAV for a particular trading day is released after 4:15 p.m. New York time.

In determining the value of Wheat Futures Contracts, the administrator uses the CBOT closing price. The administrator determines the value of all other Fund investments as of the earlier of the close of the NYSE or 4:00 p.m. New York time. The value of over-the-counter wheat interests is determined based on the value of the commodity or futures contract underlying such wheat interest, except that a fair value may be determined if the Sponsor believes that the Fund is subject to significant credit risk relating to the counterparty to such wheat interest. For purposes of financial statements and reports, the Sponsor will recalculate the NAV where necessary to reflect the fair value of a Futures Contract when the Futures Contract closes at its price fluctuation limit for the day. Treasury securities held by the Fund are valued by the administrator using values received from recognized third-party vendors and dealer quotes. NAV includes any unrealized profit or loss on open wheat interests and any other income or expense accruing to the Fund but unpaid or not received by the Fund.

Sponsor Fee, Allocation of Expenses and Related Party Transactions

The Sponsor is responsible for investing the assets of the Fund in accordance with the objectives and policies of the Fund. In addition, the Sponsor arranges for one or more third parties to provide administrative, custodial, accounting, transfer agency and other necessary services to the Trust and the Funds. In addition, the Sponsor elected not to outsource services directly attributable to the Trust and the Funds such as accounting, financial reporting, regulatory compliance and trading activities. In addition, the Fund is contractually obligated to pay a monthly management fee to the Sponsor, based on average daily net assets, at a rate equal to 1.00% per annum.

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The Fund generally pays for all brokerage fees, taxes and other expenses, including licensing fees for the use of intellectual property, registration or other fees paid to the SEC, FINRA, formerly the National Association of Securities Dealers, or any other regulatory agency in connection with the offer and sale of subsequent Shares after its initial registration and all legal, accounting, printing and other expenses associated therewith. The Fund also pays its portion of the fees and expenses associated with the Trust s tax accounting and reporting requirements. Certain aggregate expenses common to all Funds within the Trust are allocated by the Sponsor to the respective funds based on activity drivers deemed most appropriate by the Sponsor for such expenses, including but not limited to relative assets under management and creation and redeem order activity.

These aggregate common expenses include, but are not limited to, legal, auditing, accounting and financial reporting, tax-preparation, regulatory compliance, trading activities, and insurance costs, as well as fees paid to the Distributor, which are included in the related line item in the statements of operations. A portion of these aggregate common expenses are related to the Sponsor or related parties of principals of the Sponsor; these are necessary services to the Funds, which are primarily the cost of performing accounting and financial reporting, regulatory compliance, and trading activities that are directly attributable to the Fund. For the three months ended June 30, 2016 and 2015, such expenses, which are primarily included as distribution and marketing fees, totaled $111,286 in 2016 and $78,652 in 2015 and was paid for by the Fund. For the six months ended June 30, 2016 and 2015, such expenses, which are primarily included as distribution and marketing fees, totaled $312,056 in 2016 and $166,210 in 2015 and was paid for by the Fund. All asset-based fees and expenses for the Funds are calculated on the prior day s net assets.

For the three months ended June 30, 2016 and 2015, there were $0 and $17,000, respectively, of expenses that were identified on the statements of operations of the Fund as expenses that were waived by the Sponsor. The Sponsor has determined that there would be no recovery sought for these amounts in any future period.

For the six months ended June 30, 2016 and 2015, there were $0 and $31,300, respectively, of expenses that were identified on the statements of operations of the Fund as expenses that were waived by the Sponsor. The Sponsor has determined that there would be no recovery sought for these amounts in any future period.

Use of Estimates

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

Fair Value - Definition and Hierarchy

In accordance with U.S. GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Fund uses various valuation approaches. In accordance with U.S. GAAP, a fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are

those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Fund. Unobservable inputs reflect the Fund s assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 financial instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these financial instruments does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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The availability of valuation techniques and observable inputs can vary from financial instrument to financial instrument and is affected by a wide variety of factors including, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the financial instruments existed. Accordingly, the degree of judgment exercised by the Fund in determining fair value is greatest for financial instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy, within which the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Fund s own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Fund uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many financial instruments. This condition could cause a financial instrument to be reclassified to a lower level within the fair value hierarchy. When such a situation exists on a quarter close, the Sponsor will calculate the NAV on a particular day using the Level 1 valuation, but will later recalculate the NAV for the impacted Fund based upon the valuation inputs from these alternative verifiable sources (Level 2 or Level 3) and will report such NAV in its applicable financial statements and reports.

The determination is made as of the settlement of the futures contracts on the last day of trading for the reporting period. In making the determination of a Level 1 or Level 2 transfer, the Fund considers the average volume of the specific underlying futures contracts traded on the relevant exchange for the three months being reported.

On June 30, 2016 and December 31, 2015, in the opinion of the Trust and the Fund, the reported value of the Wheat Futures Contracts traded on the CBOT fairly reflected the value of the Wheat Futures Contracts held by the Fund, and no adjustments were necessary. The determination is made as of the settlement of the futures contracts on the last day of trading for the reporting period. In making the determination of a Level 1 or Level 2 transfer, the Fund considers the average volume of the specific underlying futures contracts traded on the relevant exchange for the periods being reported.

For the six months ended June 30, 2016 and year ended December 31, 2015, the Fund did not have any significant transfers between any of the levels of the fair value hierarchy.

The Fund records its derivative activities at fair value. Gains and losses from derivative contracts are included in the statements of operations. Derivative contracts include futures contracts related to commodity prices. Futures, which are listed on a national securities exchange, such as the CBOT and the ICE, or reported on another national market, are generally categorized in Level 1 of the fair value hierarchy. OTC derivatives contracts (such as forward and swap contracts) which may be valued using models, depending on whether significant inputs are observable or unobservable, are categorized in Levels 2 or 3 of the fair value hierarchy.

Expenses

Expenses are recorded using the accrual method of accounting.

Net Income (Loss) per Share

Net income (loss) per share is the difference between the NAV per unit at the beginning of each period and at the end of each period. The weighted average number of units outstanding was computed for purposes of disclosing net income (loss) per weighted average unit. The weighted average units are equal to the number of units outstanding at the end of the period, adjusted proportionately for units created or redeemed based on the amount of time the units were outstanding during such period.

New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) issued ASU 2016-11, Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting. The amendments make targeted improvements to clarify the principal versus agent assessment and are intended to make the guidance more operable and lead to more consistent application. The amendments in this update are effective immediately. The Sponsor has analyzed the ASU and its amendments and does not expect the adoption will have a material impact on the financial statements and disclosures of the Trust or the Funds.

The FASB issued ASU 2016-02, Leases (Topic 842). The amendment in this update increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this update are effective for fiscal years beginning after December 15, 2018. This update will not have a material impact on the financial statements and disclosures of the Trust or the Funds.

The FASB issued ASU 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this update are intended to improve the recognitions measurement and disclosure of financial instruments. The amendments to this update are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. These amendments are required to be applied prospectively. The Trust and the Fund are currently evaluating the impact on the financial statements and disclosures.

The FASB issued ASU 2015-10, Technical Corrections and Improvements. The amendments in this update represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments are effective for fiscal years beginning after December 15, 2015. The adoption did not have a material impact on the financial statements and disclosures of the Trust or the Fund.

The FASB issued ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). The ASU amends ASC 820 to create a practical expedient to measure the fair value of investments in certain entities that do not have a quoted market price but calculate net asset value per share or its equivalent. In addition, the amendments to ASC 820 provide guidance on

classifying investments that are measured using the practical expedient in the fair value hierarchy and require specific disclosures for eligible investments, regardless of whether the practical expedient has been applied. The amendments in this Update are effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. These amendments are required to be applied retrospectively to all periods presented. The adoption did not have a material impact on the financial statements and disclosures of the Trust or the Fund.

The FASB issued ASU 2015-06, Earnings per Share (Topic 260): Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions. The amendments specify how earnings (losses) of a transferred business before the date of a dropdown transaction should be allocated to the various interest holders in a master limited partnership for purposes of calculating earning per unit under the two-class method. The amendments to this update are effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The amendments are required to be applied retrospectively for all periods presented. The adoption did not have a material impact on the financial statements and disclosures of the Trust or the Fund.

The FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. The amendments are intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures. The amendments to this update are effective for periods beginning after December 15, 2015. These amendments are required to be applied retrospectively for all periods presented. The adoption did not have a material impact on the financial statements and disclosures of the Trust or the Fund.

The FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The amendments in this update change the requirements for reporting discontinued operations in Subtopic 2015-20. A significant provision of ASU 2014-08 calls for reporting as discontinued operations only those disposals that represent a strategic shift or have a major impact on the entity s financial results and operations. The Company elected to early adopt this ASU for the year ended December 31, 2014 and the adoption did not have a significant impact on the financial statements and disclosures of the Fund.

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Note 4 Fair Value Measurements

The Fund s assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy as described in the Fund s significant accounting policies in Note 3. The following table presents information about the Fund s assets and liabilities measured at fair value as of June 30, 2016 and December 31, 2015:

June 30, 2016

Assets:	Level 1	Level 2	Level 3	Balance as of June 30, 2016
Cash equivalents	$ 3,975,032	$ -	$ -	$ 3,975,032

Liabilities:	Level 1	Level 2	Level 3	Balance as of June 30, 2016
Wheat futures contracts	$ 3,339,713	$ -	$ -	$ 3,339,713

December 31, 2015

Assets:	Level 1	Level 2	Level 3	Balance as of December 31, 2015
Cash equivalents	$ 1,179,336	$ -	$ -	$ 1,179,336

Liabilities:	Level 1	Level 2	Level 3	Balance as of December 31, 2015
Wheat futures contracts	$ 1,924,464	$ -	$ -	$ 1,924,464,

For the six months ended June 30, 2016 and year ended December 31, 2015, the Fund did not have any significant transfers between any of the levels of the fair value hierarchy.

See the Fair Value - Definition and Hierarchy section in Note 3 above for an explanation of the transfers into and out of each level of the fair value hierarchy.

Note 5 Derivative Instruments and Hedging Activities

In the normal course of business, the Fund utilizes derivative contracts in connection with its proprietary trading

activities. Investments in derivative contracts are subject to additional risks that can result in a loss of all or part of an investment. The Fund s derivative activities and exposure to derivative contracts are classified by the following primary underlying risks: interest rate, credit, commodity price, and equity price risks. In addition to its primary underlying risks, the Fund is also subject to additional counterparty risk due to inability of its counterparties to meet the terms of their contracts. For the six months ended June 30, 2016 and for the year ended December 31, 2015, the Fund invested only in commodity futures contracts.

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Futures Contracts

The Fund is subject to commodity price risk in the normal course of pursuing its investment objectives. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

The purchase and sale of futures contracts requires margin deposits with a Futures Commission Merchant (FCM). Subsequent payments (variation margin) are made or received by the Fund each day, depending on the daily fluctuations in the value of the contract, and are recorded as unrealized gains or losses by the Fund. Futures contracts may reduce the Fund s exposure to counterparty risk since futures contracts are exchange-traded; and the exchange s clearinghouse, as the counterparty to all exchange-traded futures, guarantees the futures against default.

The Commodity Exchange Act requires an FCM to segregate all customer transactions and assets from the FCM's proprietary activities. A customer's cash and other equity deposited with an FCM are considered commingled with all other customer funds subject to the FCM s segregation requirements. In the event of an FCM s insolvency, recovery may be limited to the Fund s pro rata share of segregated customer funds available. It is possible that the recovery amount could be less than the total of cash and other equity deposited.

The following table discloses information about offsetting assets and liabilities presented in the statements of assets and liabilities to enable users of these financial statements to evaluate the effect or potential effect of netting arrangements for recognized assets and liabilities. These recognized assets and liabilities are presented as defined in the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2011-11 "Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities" and subsequently clarified in FASB ASU 2013-01 "Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities."

The following table also identifies the fair value amounts of derivative instruments included in the statements of assets and liabilities as derivative contracts, categorized by primary underlying risk and held by the FCM, ED&F Man as of June 30, 2016 and December 31, 2015.

Offsetting of Financial Liabilities and Derivative Liabilities as of June 30, 2016

(i)	(ii)	(iii) = (i) (ii)	(iv)	(v) = (iii) (iv)
			Gross Amount Not Offset in the Statement of Assets and Liabilities	

Description	Gross Amount of Recognized Liabilities	Gross Amount Offset in the Statement of Assets and Liabilities	Net Amount Presented in the Statement of Assets and Liabilities	Futures Contracts Available for Offset	Collateral, Due from Broker	Net Amount
Commodity price						
Wheat futures contracts	$ 3,339,713	$ -	$ 3,339,713	$ -	$ 3,339,713	$ -

Offsetting of Financial Liabilities and Derivative Liabilities as of December 31, 2015

	(i)	(ii)	(iii) = (i) (ii)	(iv)		(v) = (iii) (iv)
				Gross Amount Not Offset in the Statement of Assets and Liabilities		
Description	Gross Amount of Recognized Liabilities	Gross Amount Offset in the Statement of Assets and Liabilities	Net Amount Presented in the Statement of Assets and Liabilities	Futures Contracts Available for Offset	Collateral, Due from Broker	Net Amount
Commodity price						
Wheat futures contracts	$ 1,924,464	$ -	$ 1,924,464	$ -	$ 1,924,464	$ -

The following tables identify the net gain and loss amounts included in the statements of operations as realized and unrealized gains and losses on trading of commodity futures contracts categorized by primary underlying risk:

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Three months ended June 30, 2016

Primary Underlying Risk	Realized Loss on Commodity Futures Contracts	Net Change in Unrealized Appreciation or Depreciation on Commodity Futures Contracts
Commodity price		
Wheat futures contracts	$ (997,587)	$ (1,812,239)

Three months ended June 30, 2015

Primary Underlying Risk	Realized Loss on Commodity Futures Contracts	Net Change in Unrealized Appreciation or Depreciation on Commodity Futures Contracts
Commodity price		
Wheat futures contracts	$ (1,566,074)	$ 5,441,563

Six months ended June 30, 2016

Primary Underlying Risk	Realized Loss on Commodity Futures Contracts	Net Change in Unrealized Appreciation or Depreciation on Commodity Futures Contracts
Commodity price		
Wheat futures contracts	$ (1,566,700)	$ (1,415,250)

Six months ended June 30, 2015

Primary Underlying Risk	Realized Loss on Commodity Futures Contracts	Net Change in Unrealized Appreciation or Depreciation on Commodity Futures Contracts
Commodity price		
Wheat futures contracts	$ (2,273,313)	$ 3,252,413

Volume of Derivative Activities

The average notional market value categorized by primary underlying risk for all futures contracts held was $31.3 million and $28.1 million for the three and six months ended June 30, 2016 and $27.1 million and $23.5 million for the three and six months ended June 30, 2015.

Note 6 Financial Highlights

The following tables present per unit performance data and other supplemental financial data for the three and six months ended June 30, 2016 and 2015. This information has been derived from information presented in the financial statements. This information has been derived from information presented in the financial statements and is presented with total expenses gross of expenses waived by the Sponsor and with total expenses net of expenses waived by the Sponsor, as appropriate.

Per Share Operation Performance	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Net asset value at beginning of period	$ 9.01	$ 10.91	$ 9.15	$ 12.72
Income (loss) from investment operations:				
Income (loss)	0.01	0.00	0.02	0.00
Net realized and unrealized (loss) gain on commodity futures contracts	(0.71)	1.40	(0.76)	(0.31)
Total expenses, net	(0.09)	(0.10)	(0.19)	(0.20)
Net (decrease) increase in net asset value, net of expenses waived by the Sponsor	(0.79)	1.30	(0.93)	(0.51)
Net asset value at end of period	$ 8.22	$ 12.21	$ 8.22	$ 12.21
Total Return	(8.77)%	11.92 %	(10.16)%	(4.01)%
Ratios to Average Net Assets				
Total expenses	4.30 %	4.10 %	4.29 %	3.93 %
Total expenses, net	4.30 %	3.82 %	4.29 %	3.65 %
Net investment loss	(3.78)%	(3.70)%	(3.76)%	(3.57)%

Effective in the third quarter 2015, the financial highlights per share data are calculated consistent with the methodology used to calculate asset-based fees and expenses. In prior periods, the financial highlights per share data are calculated using the average of the daily shares outstanding for the reporting period, which is inclusive of the last day of the period. Any change in methodology was not material to the ratios presented.

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Note 7 Organizational and Offering Costs

Expenses incurred in organizing of the Trust and the initial offering of the Shares of the Fund, including applicable SEC registration fees, were borne directly by the Sponsor. The Fund will not be obligated to reimburse the Sponsor.

Note 8 Subsequent Events

Management has evaluated the financial statements for the quarter-ended June 30, 2016 for subsequent events through the date of this filing and noted no material events requiring either recognition through the date of the filing or disclosure herein for the Fund other than those noted below:

On July 15, 2016, a subsequent registration statement on Form S-1 for WEAT was declared effective. This registration statement for WEAT registered an additional 24,050,000 shares; therefore, as of July 15, 2016 the Fund had 25,350,000 shares available for issuance.

The total net asset value of the Fund increased by 40.3% to $51,575,318. This was driven by a 47.5% increase in shares outstanding and a 5.0% decrease in the net asset value per share.

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TEUCRIUM AGRICULTURAL FUND

STATEMENTS OF ASSETS AND LIABILITIES

	June 30, 2016 (Unaudited)	**December 31, 2015**
Assets		
Cash equivalents	$ 3,929	$ 1,815
Interest receivable	2	-
Other assets	2,952	2,974
Equity in trading accounts:		
Investments in securities, at fair value (cost $2,079,394 and $2,126,379 as of June 30, 2016 and December 31, 2015, respectively)	1,433,328	1,324,601
Total assets	$ 1,440,211	$ 1,329,390
Liabilities		
Other liabilities	55	-
Total liabilities	55	-
Net assets	$ 1,440,156	$ 1,329,390
Shares outstanding	50,002	50,002
Net asset value per share	$ 28.80	$ 26.59
Market value per share	$ 28.55	$ 26.47

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

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TEUCRIUM AGRICULTURAL FUND

SCHEDULE OF INVESTMENTS

June 30, 2016

(Unaudited)

Description: Assets	Fair Value	Percentage of Net Assets		Shares
Exchange-traded funds				
Teucrium Corn Fund	$329,703	22.89	%	16,208
Teucrium Soybean Fund	376,694	26.16		17,631
Teucrium Sugar Fund	384,016	26.67		29,724
Teucrium Wheat Fund	342,915	23.81		41,737
Total exchange-traded funds (cost $2,079,394)	$1,433,328	99.53	%	
Cash equivalents				
Money market funds				
Fidelity Institutional Money Market Funds - Government Portfolio (cost $3,929)	$3,929	0.27	%	3,929

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

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TEUCRIUM AGRICULTURAL FUND

SCHEDULE OF INVESTMENTS

December 31, 2015

Description: Assets	Fair Value	Percentage of Net Assets		Shares
Exchange-traded funds				
Teucrium Corn Fund	$ 326,157	24.53	%	15,358
Teucrium Soybean Fund	331,730	24.95		19,131
Teucrium Sugar Fund	345,281	25.97		34,474
Teucrium Wheat Fund	321,433	24.18		35,137
Total exchange-traded funds (cost $2,126,379)	$ 1,324,601	99.63	%	
Cash equivalents				
Money market funds				
Fidelity Institutional Prime Money Market Portfolio (cost $1,815)	$ 1,815	0.14	%	1,815

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

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TEUCRIUM AGRICULTURAL FUND

STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Income				
Realized and unrealized gain (loss) on trading of securities:				
Realized loss on securities	$ (26,170)	$ (42,132)	$ (41,558)	$ (114,318)
Net change in unrealized appreciation or depreciation on securities	131,077	120,518	155,712	8,486
Interest income (loss)	4	(1)	6	(3)
Total income (loss)	104,911	78,385	114,160	(105,835)
Expenses				
Professional fees	2,169	3,426	4,597	6,093
Distribution and marketing fees	3,057	3,329	9,000	9,190
Custodian fees and expenses	572	42,400	1,337	43,000
Business permits and licenses fees	-	5,009	12,115	15,509
General and administrative expenses	557	5,276	1,016	8,090
Brokerage commissions	115	-	223	-
Other expenses	103	136	276	309
Total expenses	6,573	59,576	28,564	82,191
Expenses waived by the Sponsor	(4,813)	(57,780)	(25,170)	(78,470)
Total expenses, net	1,760	1,796	3,394	3,721
Net income (loss)	$ 103,151	$ 76,589	$ 110,766	$ (109,556)
Net income (loss) per share	$ 2.06	$ 1.53	$ 2.21	$ (2.19)
Net income (loss) per weighted average share	$ 2.06	$ 1.53	$ 2.22	$ (2.19)
Weighted average shares outstanding	50,002	50,002	50,002	50,002

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

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TEUCRIUM AGRICULTURAL FUND

STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

	Six months ended June 30, 2016	Six months ended June 30, 2015
Operations		
Net income (loss)	$ 110,766	$ (109,556)
Net change in net assets	110,766	(109,556)
Net assets, beginning of period	$ 1,329,390	$ 1,652,749
Net assets, end of period	$ 1,440,156	$ 1,543,193
Net asset value per share at beginning of period	$ 26.59	$ 33.05
Net asset value per share at end of period	$ 28.80	$ 30.86
Creation of Shares	-	-
Redemption of Shares	-	-

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

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TEUCRIUM AGRICULTURAL FUND

STATEMENTS OF CASH FLOWS

(Unaudited)

	Six months ended June 30, 2016	**Six months ended June 30, 2015**
Cash flows from operating activities:		
Net income (loss)	$110,766	$(109,556)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Net change in unrealized appreciation or depreciation on securities	(155,712)	(8,486)
Changes in operating assets and liabilities:		
Net sales of investments in securities	46,985	115,477
Interest receivable	(2)	-
Other assets	22	3,671
Other liabilities	55	-
Net cash provided by operating activities	2,114	1,106
Net change in cash and cash equivalents	2,114	1,106
Cash equivalents, beginning of period	1,815	1,647
Cash equivalents, end of period	$3,929	$2,753

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

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NOTES TO FINANCIAL STATEMENTS

June 30, 2016

(Unaudited)

Note 1 Organization and Operation

Teucrium Agricultural Fund (referred to herein as TAGS or the Fund) is a series of Teucrium Commodity Trust (Trust), a Delaware statutory trust organized on September 11, 2009. The Fund operates pursuant to the Trust s Second Amended and Restated Declaration of Trust and Trust Agreement (the Trust Agreement). The Fund was formed on March 29, 2011 and is managed and controlled by Teucrium Trading, LLC (the Sponsor). The Sponsor is a limited liability company formed in Delaware on July 28, 2009 that is registered as a commodity pool operator (CPO) with the Commodity Futures Trading Commission (CFTC) and is a member of the National Futures Association (NFA).

On April 22, 2011, a registration statement was filed with the Securities and Exchange Commission (SEC). On February 10, 2012, the Fund s initial registration of 5,000,000 shares on Form S-1 was declared effective by the U.S. Securities and Exchange Commission (SEC). On March 28, 2012, the Fund listed its shares on the NYSE Arca under the ticker symbol TAGS. On the business day prior to that, the Fund issued 300,000 shares in exchange for $15,000,000 at the Fund s initial NAV of $50 per share. The Fund also commenced investment operations on March 28, 2012 by purchasing shares of the Underlying Funds. On December 31, 2011, the Fund had two shares outstanding, which were owned by the Sponsor. On April 30, 2015, a subsequent registration statement for TAGS was declared effective by the SEC.

The investment objective of the TAGS is to have the daily changes in percentage terms of the (NAV) of its Shares reflect the daily changes in percentage terms of a weighted average (the Underlying Fund Average) of the NAVs per share of four other commodity pools that are series of the Trust and are sponsored by the Sponsor: the Teucrium Corn Fund, the Teucrium Wheat Fund, the Teucrium Soybean Fund and the Teucrium Sugar Fund (collectively, the Underlying Funds). The Underlying Fund Average will have a weighting of 25% to each Underlying Fund, and the Fund s assets will be rebalanced, generally on a daily basis, to maintain the approximate 25% allocation to each Underlying Fund.

The investment objective of each Underlying Fund is to have the daily changes in percentage terms of its shares NAV reflect the daily changes in percentage terms of a weighted average of the closing settlement prices for certain Futures Contracts for the commodity specified in the Underlying Fund s name. (This weighted average is referred to herein as the Underlying Fund s Benchmark, the Futures Contracts that at any given time make up an Underlying Fund s Benchmark are referred to herein as the Underlying Fund s Benchmark Component Futures Contracts, and the commodity specified in the Underlying Fund s name is referred to herein as its Specified Commodity.) Specifically,

the Teucrium Corn Fund s Benchmark is: (1) the second-to-expire Futures Contract for corn traded on the Chicago Board of Trade (CBOT), weighted 35%, (2) the third-to-expire CBOT corn Futures Contract, weighted 30%, and (3) the CBOT corn Futures Contract expiring in the December following the expiration month of the third-to-expire contract, weighted 35%. The Teucrium Wheat Fund s Benchmark is: (1) the second-to-expire CBOT wheat Futures Contract, weighted 35%, (2) the third-to-expire CBOT wheat Futures Contract, weighted 30%, and (3) the CBOT wheat Futures Contract expiring in the December following the expiration month of the third-to-expire contract, weighted 35%. The Teucrium Soybean Fund s Benchmark is: (1) the second-to-expire CBOT soybean Futures Contract, weighted 35%, (2) the third-to-expire CBOT soybean Futures Contract, weighted 30%, and (3) the CBOT soybean Futures Contract expiring in the November following the expiration month of the third-to-expire contract, weighted 35%, except that CBOT soybean Futures Contracts expiring in August and September will not be part of the Teucrium Soybean Fund s Benchmark because of the less liquid market for these Futures Contracts. The Teucrium Sugar Fund s Benchmark is: (1) the second-to-expire Sugar No. 11 Futures Contract traded on ICE Futures US (ICE Futures), weighted 35%, (2) the third-to-expire ICE Futures Sugar No. 11 Futures Contract, weighted 30%, and (3) the ICE Futures Sugar No. 11 Futures Contract expiring in the March following the expiration month of the third-to-expire contract, weighted 35%.

While the Fund expects to maintain substantially all of its assets in shares of the Underlying Funds at all times, the Fund may hold some residual amount of assets in obligations of the United States government (Treasury Securities) or cash equivalents, and/or merely hold such assets in cash (generally in interest-bearing accounts). The Underlying Funds invest in Commodity Interests to the fullest extent possible without being leveraged or unable to satisfy their expected current or potential margin or collateral obligations with respect to their investments in Commodity Interests. After fulfilling such margin and collateral requirements, the Underlying Funds will invest the remainder of the proceeds from the sale of baskets in Treasury Securities or cash equivalents, and/or merely hold such assets in cash. Therefore, the focus of the Sponsor in managing the Underlying Funds is investing in Commodity Interests and in Treasury Securities, cash and/or cash equivalents. The Fund and Underlying Funds will earn interest income from the Treasury Securities and/or cash equivalents that it purchases and on the cash it holds through the Fund s custodian, the Bank of New York Mellon (the Custodian).

The accompanying unaudited financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X promulgated by the SEC and, therefore, do not include all information and footnote disclosures required under accounting principles generally accepted in the United States of America (GAAP). The financial information included herein is unaudited; however, such financial information reflects all adjustments which are, in the opinion of management, necessary for the fair presentation of the Fund s financial statements for the interim period. It is suggested that these interim financial statements be read in conjunction with the financial statements and related notes included in the Trust s Annual Report on Form 10-K, as well as the most recent Form S-1 filing, as applicable. The operating results for the six months ended June 30, 2016 are not necessarily indicative of the results to be expected for the full year ending December 31, 2016.

Subject to the terms of the Trust Agreement, Teucrium Trading, LLC, in its capacity as the Sponsor (Sponsor), may terminate a Fund at any time, regardless of whether the Fund has incurred losses, including, for instance, if it determines that the Fund s aggregate net assets in relation to its operating expenses make the continued operation of the Fund unreasonable or imprudent. However, no level of losses will require the Sponsor to terminate a Fund.

Note 2 Principal Contracts and Agreements

On August 17, 2015 (the Conversion Date), U.S. Bank N.A. replaced The Bank of New York Mellon as the Custodian for the Funds. The principal business address for U.S. Bank N.A. is 1555 North Rivercenter Drive, Suite 302, Milwaukee, Wisconsin 53212. U.S. Bank N.A. is a Wisconsin state chartered bank subject to regulation by the Board of Governors of the Federal Reserve System and the Wisconsin State Banking Department. The principal address for U.S. Bancorp Fund Services, LLC (USBFS) is 777 East Wisconsin Avenue, Milwaukee, WI, 53202. In addition, effective on the Conversion Date, USBFS, a wholly owned subsidiary of U.S. Bank, commenced serving as administrator for each Fund, performing certain administrative and accounting services and preparing certain SEC reports on behalf of the Funds, and also became the registrar and transfer agent for each Fund s Shares. For such services, U.S. Bank and USBFS will receive an asset-based fee, subject to a minimum annual fee. The Sponsor does not anticipate any material change to the expenses for any Fund, net of expenses waived by the Sponsor, as a result of the servicing conversion to USBFS and U.S. Bank.

Given this conversion, beginning with the quarter ended June 30, 2015 and for the year-ended December 31, 2015, the statements of operations reflected an expense, before and after fees waived by the Sponsor, for fees associated with Custodian, Fund Administration and Transfer Agent services (Custodian Fees) that have or will be paid to the Bank of New York Mellon by a Fund or by the Sponsor on behalf of a Fund. The Custodian Fees reflected in the financial statements through December 31, 2015, net of expenses waived by the Sponsor, are generally as had been presented in prior periods of 2015. Therefore, for the quarter ended June 30, 2015, the Custodian Fees reflected for that period do not include any increase, gross or net of expenses waived by the Sponsor, for the change in service providers discussed above.

For custody services, the Funds will pay to U.S. Bank N.A. 0.0075% of average gross assets up to $1 billion, and .0050% of average gross assets over $1 billion, annually, plus certain per-transaction charges. For Transfer Agency, Fund Accounting and Fund Administration services, which are based on the total assets for all the Funds in the Trust, the Funds will pay to USBFS 0.06% of average gross assets on the first $250 million, 0.05% on the next $250 million, 0.04% on the next $500 million and 0.03% on the balance over $1 billion annually. A combined minimum annual fee of up to $64,500 for custody, transfer agency, accounting and administrative services is assessed per Fund. For the three months ended June 30, 2016 and 2015, the Fund recognized $572 and $42,400, respectively, for these services, which was recorded in custodian fees and expenses on the statements of operations; of these expenses $453 in 2016 and $42,400 in 2015 were waived by the Sponsor. For the six months ended June 30, 2016 and 2015, the Fund recognized $1,337 and $43,000, respectively, for these services, which was recorded in custodian fees and expenses on the statements of operations; of these expenses $1,218 in 2016 and $43,000 in 2015 were waived by the Sponsor.

The Sponsor employs Foreside Fund Services, LLC (Foreside or the Distributor) as the Distributor for the Funds. The Distribution Services Agreement among the Distributor and the Sponsor calls for the Distributor to work with the Custodian in connection with the receipt and processing of orders for Creation Baskets and Redemption Baskets and the review and approval of all Fund sales literature and advertising materials. The Distributor and the Sponsor have also entered into a Securities Activities and Service Agreement (the SASA) under which certain employees and officers of the Sponsor are licensed as registered representatives or registered principals of the Distributor, under Financial Industry Regulatory Authority (FINRA) rules. For its services as the Distributor, Foreside receives a fee of 0.01% of the Fund s average daily net assets and an aggregate annual fee of $100,000 for all Teucrium Funds, along with certain expense reimbursements. For its services under the SASA, Foreside receives a fee of $5,000 per registered representative and $1,000 per registered location. For the three months ended June 30, 2016 and 2015, the Fund recognized $294 and $314, respectively, for these services, which was recorded in distribution and marketing fees on the statements of operations; of these expenses $188 in 2016 and $314 in 2015 were waived by the Sponsor. For the six months ended June 30, 2016 and 2015, the Fund recognized $630 and $669, respectively, for these services, which was recorded in distribution and marketing fees on the statements of operations; of these expenses $524 in 2016 and $669 in 2015 were waived by the Sponsor.

On January 2, 2015, Newedge USA, LLC (Newedge USA) merged with and into SG Americas Securities, LLC (SG), with the latter as the surviving entity. On February 6, 2015 Jefferies LLC (Jefferies) became the Funds FCM and

primary clearing broker. All futures contracts held by SG were transferred to Jefferies on that date. As of February 23, 2015 all residual cash balances held at SG had been transferred to Jefferies and the balance in all SG accounts was $0. Effective June 3, 2015, ED&F Man Capital Markets Inc. (ED&F Man) replaced Jefferies as the Underlying Funds FCM and the clearing broker to execute and clear the Underlying Fund s futures and provide other brokerage-related services. As of June 4, 2015 all futures contracts and residual cash balances held at Jefferies had been transferred to ED&F Man and the balance in all Jefferies accounts was $0.

Currently, ED&F Man serves as the Underlying Funds clearing broker to execute and clear the Underlying Funds futures and provide other brokerage-related services. ED&F Man is registered as a FCM with the U.S. CFTC and is a member of the NFA. ED&F Man is also registered as a broker/dealer with the U.S. Securities and Exchange Commission and is a member of the FINRA. ED&F Man is a clearing member of ICE Futures U.S., Inc., Chicago Board of Trade, Chicago Mercantile Exchange, New York Mercantile Exchange, and all other major United States commodity exchanges. For Corn, Soybean, Sugar and Wheat Futures Contracts ED&F Man, Jefferies and SG was paid $8.00 per round turn. Effective January 1, 2016, ED&F Man, increased the per round-term charge for futures contracts commission to $9.00. The Bank of New York Mellon serves as the broker for the Fund. For the three months ended June 30, 2016 and 2015, the Fund recognized $115 and $0, respectively, for these services, which was recorded in brokerage commissions on the statements of operations and paid for by the Fund. For the six months ended June 30, 2016 and 2015, the Fund recognized $223 and $0, respectively, for these services, which was recorded in brokerage commissions on the statements of operations and paid for by the Fund.

The sole Trustee of the Trust is Wilmington Trust Company, a Delaware banking corporation. The Trustee will accept service of legal process on the Trust in the State of Delaware and will make certain filings under the Delaware Statutory Trust Act. For its services, the Trustee receives an annual fee of $3,300 from the Trust. For the three and six months ended June 30, 2016 and 2015, the Fund did not recognize any expense for these services. This expense is recorded in business permits and licenses fees on the statements of operations.

Note 3 Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as detailed in the Financial Accounting Standards Board s Accounting Standards Codification.

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Revenue Recognition

Investment transactions are accounted for on a trade-date basis. All such transactions are recorded on the identified cost basis and marked to market daily. Unrealized appreciation or depreciation on investments are reflected in the statements of operations as the difference between the original amount and the fair market value as of the last business day of the year or as of the last date of the financial statements. Changes in the appreciation or depreciation between periods are reflected in the statements of operations.

Brokerage Commissions

Brokerage commissions are accrued on the trade date and on a full-turn basis.

Income Taxes

The Fund will be treated as a partnership for United States federal income tax purposes. The Fund does not record a provision for income taxes because the shareholders report their share of the Fund s income or loss on their income tax returns. The financial statements reflect the Fund s transactions without adjustment, if any, required for income tax purposes.

The Fund is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Fund files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states and foreign jurisdictions. For all tax years 2013 to 2015, the Fund remains subject to income tax examinations by major taxing authorities. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized results in the Fund recording a tax liability that reduces net assets. This policy has been applied to all existing tax positions upon the Fund s initial adoption. Based on its analysis, the Fund has determined that it has not incurred any liability for unrecognized tax benefits as of June 30, 2016 and for the years ended December 31, 2015, 2014 and 2013. However, the Fund s conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, ongoing analysis of and changes to tax laws, regulations, and interpretations thereof.

The Fund recognizes interest accrued related to unrecognized tax benefits and penalties related to unrecognized tax benefits in income tax fees payable, if assessed. No interest expense or penalties have been recognized as of and for the six months ended June 30, 2016 and 2015.

The Fund may be subject to potential examination by U.S. federal, U.S. state, or foreign jurisdictional authorities in the area of income taxes. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions, and compliance with U.S. federal, U.S. state and foreign tax

laws. The Fund s management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

Creations and Redemptions

Authorized Purchasers may purchase Creation Baskets consisting of 25,000 shares from the Fund. The amount of the proceeds required to purchase a Creation Basket will be equal to the NAV of the shares in the Creation Basket determined as of 4:00 p.m. New York time on the day the order to create the basket is properly received.

Authorized Purchasers may redeem shares from the Fund only in blocks of 25,000 shares called Redemption Baskets. The amount of the redemption proceeds for a Redemption Basket will be equal to the NAV of the shares in the Redemption Basket determined as of 4:00 p.m. New York time on the day the order to redeem the basket is properly received.

The Fund will receive the proceeds from shares sold or will pay for redeemed shares within three business days after the trade date of the purchase or redemption, respectively. The amounts due from Authorized Purchasers will be reflected in the Fund s statements of assets and liabilities as receivable for shares sold. Amounts payable to Authorized Purchasers upon redemption will be reflected in the Fund s statements of assets and liabilities as payable for shares redeemed.

As outlined in the most recent Form S-1 filing, 50,000 shares represents two Redemption Baskets for the Fund and a minimum level of shares. The Fund, currently, is at this minimum number of shares outstanding and no redemptions can be made until additional shares are created.

Allocation of Shareholder Income and Losses

Profit or loss is allocated among the shareholders of the Fund in proportion to the number of shares each shareholder holds as of the close of each month.

Cash Equivalents

Cash equivalents are highly-liquid investments with maturity dates of 90 days or less when acquired. The Fund reported its cash equivalents in the statements of assets and liabilities at market value, or at carrying amounts that approximate fair value, because of their highly-liquid nature and short-term maturities. The Fund has these balances of its assets on deposit with banks. Assets deposited with the bank may, at times, exceed federally insured limits. TAGS

had a balance of $3,929 and $1,815 in money market funds at June 30, 2016 and December 31, 2015, respectively; these balances are included in cash equivalents on the statements of assets and liabilities.

Payable/Receivable for Securities Purchased/Sold

Due from/to broker for investments in securities are securities transactions pending settlement. The Fund is subject to credit risk to the extent any broker with whom it conducts business is unable to fulfill contractual obligations on its behalf. The management of the Funds monitors the financial condition of such brokers and does not anticipate any losses from these counterparties.

Calculation of Net Asset Value

The Fund s NAV is calculated by:

Taking the current market value of its total assets and

Subtracting any liabilities.

The administrator, USBFS, will calculate the NAV of the Fund once each trading day. It will calculate the NAV as of the earlier of the close of the New York Stock Exchange or 4:00 p.m. New York time. The NAV for a particular trading day will be released after 4:15 p.m. New York time.

For purposes of the determining the Fund s NAV, the Fund s investments in the Underlying Funds will be valued based on the Underlying Funds NAVs. In turn, in determining the value of the Futures Contracts held by the Underlying Funds, the Administrator will use the closing price on the exchange on which they are traded. The Administrator will determine the value of all other Fund and Underlying Fund investments as of the earlier of the close of the New York Stock Exchange or 4:00 p.m. New York time, in accordance with the current Services Agreement between the Administrator and the Trust. The value of over-the-counter Commodity Interests will be determined based on the value of the commodity or Futures Contract underlying such Commodity Interest, except that a fair value may be determined if the Sponsor believes that the Underlying Fund is subject to significant credit risk relating to the counterparty to such Commodity Interest. For purposes of financial statements and reports, the Sponsor will recalculate the NAV of an Underlying Fund where necessary to reflect the fair value of a Futures Contract held by an Underlying Fund when a Futures Contract held by an Underlying Fund closes at its price fluctuation limit for the day. Treasury Securities held by the Fund or Underlying Funds will be valued by the Administrator using values received from recognized third-party vendors (such as Reuters) and dealer quotes. NAV will include any unrealized profit or loss on open Commodity Interests and any other credit or debit accruing to the Fund but unpaid or not received by the Fund.

Sponsor Fee Allocation of Expenses and Related Party Transactions

The Fund pays no direct management fees to the Sponsor. The Underlying Funds are contractually obligated to pay a monthly management fee to the Sponsor, based on average daily net assets, at a rate equal to 1.00% per annum; these fees are recognized in the statements contained in this Form 10-Q for each of the Underlying Funds. The Fund pays for all brokerage fees, taxes and other expenses, including licensing fees for the use of intellectual property, registration or other fees paid to the SEC, FINRA, formerly the National Association of Securities Dealers, or any other regulatory agency in connection with the offer and sale of subsequent Shares after its initial registration and all legal, accounting, printing and other expenses associated therewith. The Fund also pays its portion of the fees and expenses for services directly attributable to the Fund such as accounting, financial reporting, regulatory compliance and trading activities, which the Sponsor elected not to outsource. The Sponsor may, at its discretion waive the payment by the Fund of certain expenses. This election is subject to change by the Sponsor, at its discretion. Certain aggregate expenses common to all Funds within the Trust are allocated by the Sponsor to the respective funds based on activity drivers deemed most appropriate by the Sponsor for such expenses, including but not limited to relative assets under management and creation and redeem order activity.

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These aggregate common expenses include, but are not limited to, legal, auditing, accounting and financial reporting, tax-preparation, regulatory compliance, trading activities, and insurance costs, as well as fees paid to the Distributor, which are included in the related line item in the statements of operations. A portion of these aggregate common expenses are related to the Sponsor or related parties of principals of the Sponsor; these are necessary services to the Funds, which are primarily the cost of performing accounting and financial reporting, regulatory compliance, and trading activities that are directly attributable to the Fund. The Sponsor has the ability to elect to pay certain expenses on behalf of the Fund. This election is subject to change by the Sponsor, at its discretion. For the three months ended June 30, 2016 and 2015 such expenses, which are primarily included as distribution and marketing fees, totaled $3,221 in 2016 and $2,931 in 2015; of these amounts $1,693 in 2016 and $2,931 in 2015 were waived by the Sponsor. For the six months ended June 30, 2016 and 2015 such expenses, which are primarily included as distribution and marketing fees, totaled $8,515 in 2016 and $7,308 in 2015; of these amounts $6,987 in 2016 and $7,308 in 2015 were waived by the Sponsor. All asset-based fees and expenses for the Funds are calculated on the prior day s net assets. The Sponsor can elect to adjust the daily expense accruals at its discretion.

For the three months ended June 30, 2016 and 2015, there were $4,813 and $57,780, respectively, of expenses that were identified on the statements of operations of the Fund as expenses that were waived by the Sponsor. The Sponsor has determined that there would be no recovery sought for these amounts in any future period.

For the six months ended June 30, 2016 and 2015, there were $25,170 and $78,470, respectively, of expenses that were identified on the statements of operations of the Fund as expenses that were waived by the Sponsor. The Sponsor has determined that there would be no recovery sought for these amounts in any future period.

Expenses

Expenses are recorded using the accrual method of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) issued ASU 2016-11, Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting. The amendments make targeted improvements to clarify the principal versus agent assessment

and are intended to make the guidance more operable and lead to more consistent application. The amendments in this update are effective immediately. The Sponsor has analyzed the ASU and its amendments and does not expect the adoption will have a material impact on the financial statements and disclosures of the Trust or the Funds.

The FASB issued ASU 2016-02, Leases (Topic 842). The amendment in this update increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this update are effective for fiscal years beginning after December 15, 2018. This update will not have a material impact on the financial statements and disclosures of the Trust or the Funds.

The FASB issued ASU 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this update are intended to improve the recognitions measurement and disclosure of financial instruments. The amendments to this update are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. These amendments are required to be applied prospectively. The Trust and the Fund are currently evaluating the impact on the financial statements and disclosures.

The FASB issued ASU 2015-10, Technical Corrections and Improvements. The amendments in this update represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments are effective for fiscal years beginning after December 15, 2015. The adoption did not have a material impact on the financial statements and disclosures of the Trust or the Fund.

The FASB issued ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). The ASU amends ASC 820 to create a practical expedient to measure the fair value of investments in certain entities that do not have a quoted market price but calculate net asset value per share or its equivalent. In addition, the amendments to ASC 820 provide guidance on classifying investments that are measured using the practical expedient in the fair value hierarchy and require specific disclosures for eligible investments, regardless of whether the practical expedient has been applied. The amendments in this Update are effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. These amendments are required to be applied retrospectively to all periods presented. The adoption did not have a material impact on the financial statements and disclosures of the Trust or the Fund.

The FASB issued ASU 2015-06, Earnings per Share (Topic 260): Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions. The amendments specify how earnings (losses) of a transferred business before the date of a dropdown transaction should be allocated to the various interest holders in a master limited partnership for purposes of calculating earning per unit under the two-class method. The amendments to this update are effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The amendments are required to be applied retrospectively for all periods presented. The adoption did not have a material impact on the financial statements and disclosures of the Trust or the Fund.

The FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. The amendments are intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures. The amendments to this update are effective for periods beginning after December 15, 2015. These amendments are required to be applied retrospectively for all periods presented. The adoption did not have a material impact on the financial statements and disclosures of the Trust or the Fund.

The FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The amendments in this update change the requirements for reporting discontinued operations in Subtopic

2015-20. A significant provision of ASU 2014-08 calls for reporting as discontinued operations only those disposals that represent a strategic shift or have a major impact on the entity s financial results and operations. The Company elected to early adopt this ASU for the year ended December 31, 2014 and the adoption did not have a significant impact on the financial statements and disclosures of the Fund.

Fair Value - Definition and Hierarchy

In accordance with GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Fund uses various valuation approaches. In accordance with GAAP, a fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Fund. Unobservable inputs reflect the Fund s assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 financial instruments of the Underlying Funds and securities of the Fund, together the financial instruments . Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these financial instruments does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from financial instrument to financial instrument and is affected by a wide variety of factors including, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the financial instruments existed. Accordingly, the degree of judgment exercised by the Fund in determining fair value is greatest for financial instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy, within which the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the fair value measurement.

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Net Income (Loss) per Share

Net income (loss) per share is the difference between the NAV per unit at the beginning of each period and at the end of each period. The weighted average number of units outstanding was computed for purposes of disclosing net income (loss) per weighted average unit. The weighted average units are equal to the number of units outstanding at the end of the period, adjusted proportionately for units created or redeemed based on the amount of time the units were outstanding during such period.

Note 4 Fair Value Measurements

The Fund s assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy as described in the Fund s significant accounting policies in Note 2. The following table presents information about the Fund s assets and liabilities measured at fair value as of June 30, 2016 and December 31, 2015:

June 30, 2016

Assets:	Level 1	Level 2	Level 3	Balance as of June 30, 2016
Exchange-traded funds	$ 1,433,328	$ -	$ -	$ 1,433,328
Cash equivalents	3,929	-	-	3,929
Total	$ 1,437,257	$ -	$ -	$ 1,437,257

December 31, 2015

Assets:	Level 1	Level 2	Level 3	Balance as of December 31, 2015
Exchange-traded funds	$ 1,324,601	$ -	$ -	$ 1,324,601
Cash equivalents	1,815	-	-	1,815
Total	$ 1,326,416	$ -	$ -	$ 1,326,416

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For the six months ended June 30, 2016 and year ended December 31, 2015, the Fund did not have any transfers between any of the level of the fair value hierarchy.

See the Fair Value - Definition and Hierarchy section in Note 3 above for an explanation of the transfers into and out of each level of the fair value hierarchy.

Note 5 Financial Highlights

The following table presents per unit performance data and other supplemental financial data for the three and six months ended June 30, 2016 and 2015. This information has been derived from information presented in the financial statements. This information has been derived from information presented in the financial statements and is presented with total expenses gross of expenses waived by the Sponsor and with total expenses net of expenses waived by the Sponsor, as appropriate.

Per Share Operation Performance	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Net asset value at beginning of period	26.74	29.33	$ 26.59	$ 33.05
Income (loss) from investment operations:				
Net realized and unrealized gain (loss) on commodity futures contracts	2.10	1.57	2.28	(2.12)
Total expenses	(0.04)	(0.04)	(0.07)	(0.07)
Net increase (decrease) in net asset value	2.06	1.53	2.21	(2.19)
Net asset value at end of period	28.80	30.86	$ 28.80	$ 30.86
Total Return	7.70%	5.22%	8.31%	(6.63)%
Ratios to Average Net Assets (Annualized)				
Total expenses	1.87%	16.59%	4.21%	11.05%
Total expenses, net	0.50%	0.50%	0.50%	0.50%
Net investment loss	(0.50)%	(0.50)%	(0.50)%	(0.50)%

Effective in the third quarter 2015, the financial highlights per share data are calculated consistent with the methodology used to calculate asset-based fees and expenses. In prior periods, the financial highlights per share data are calculated using the average of the daily shares outstanding for the reporting period, which is inclusive of the last day of the period. Any change in methodology was not material to the ratios presented.

Note 6 Organizational and Offering Costs

Expenses incurred in organizing of the Trust and the initial offering of the Shares of the Fund, including applicable SEC registration fees, were borne directly by the Sponsor. The Fund will not be obligated to reimburse the Sponsor.

Note 7 Subsequent Events

Management has evaluated the financial statements for the quarter-ended June 30, 2016 for subsequent events through the date of this filing and noted no material events requiring either recognition through the date of the filing or disclosure herein for the Fund.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

This information should be read in conjunction with the financial statements and notes included in Item 1 of Part I of this Quarterly Report (the Report). The discussion and analysis which follows may contain trend analysis and other forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 which reflect our current views with respect to future events and financial results. Words such as anticipate, expect, intend, plan, believe, seek, outlook and estimate, as well as similar words and phrases, signify forward-looking statements. Teucrium Commodity Trust s (the Trust s) forward-looking statements are not guarantees of future results and conditions, and important factors, risks and uncertainties may cause our actual results to differ materially from those expressed in our forward-looking statements.

You should not place undue reliance on any forward-looking statements. Except as expressly required by the Federal securities laws, Teucrium Trading, LLC (the Sponsor) undertakes no obligation to publicly update or revise any forward-looking statements or the risks, uncertainties or other factors described in this Report, as a result of new information, future events or changed circumstances or for any other reason after the date of this Report.

Overview/Introduction

Teucrium Commodity Trust (Trust), a Delaware statutory trust organized on September 11, 2009, is a series trust consisting of five series: Teucrium Corn Fund (CORN), Teucrium Sugar Fund (CANE), Teucrium Soybean Fund (SOYB), Teucrium Wheat Fund (WEAT), and Teucrium Agricultural Fund (TAGS). All of the series of the Trust are collectively referred to as the Funds and singularly as the Fund. Each Fund is a commodity pool that is a series of the Trust. The Funds issue common units, called the Shares, representing fractional undivided beneficial interests in a Fund. The Trust and the Funds operate pursuant to the Trust s Second Amended and Restated Declaration of Trust and Trust Agreement (the Trust Agreement).

Two additional series, the Teucrium Natural Gas Fund (NAGS) and the Teucrium WTI Crude Oil Fund (CRUD) commenced operations in 2011; however, on December 18, 2014 CRUD and NAGS ceased trading on the NYSE Arca and the Sponsor liquidated all commodity futures contracts held by these funds. All positions were sold through an exchange to unrelated parties. On December 22, 2014 the Administrator and Custodian proceeded to distribute cash to all shareholders in an amount equal to each shareholder s pro rata interest in the respective fund. On December 30, 2014, Teucrium Trading, LLC (the Sponsor) completed the disposition of all of the assets of these funds. There were zero assets and liabilities as of December 31, 2014. The Form 15 was filed with the SEC on January 9, 2015.

On June 5, 2010, the initial Form S-1 for CORN was declared effective by the U.S. Securities and Exchange Commission (SEC). On June 8, 2010, four Creation Baskets for CORN were issued representing 200,000 shares and $5,000,000. CORN began trading on the New York Stock Exchange (NYSE) Arca on June 9, 2010. On April 29, 2016, a second subsequent registration statement for CORN was declared effective by the SEC.

On June 17, 2011, the initial Forms S-1 for CANE, SOYB, and WEAT were declared effective by the SEC. On September 16, 2011, two Creation Baskets were issued for each Fund, representing 100,000 shares and $2,500,000, for CANE, SOYB, and WEAT. On September 19, 2011, CANE, SOYB, and WEAT started trading on the NYSE Arca. On June 30, 2014, subsequent registration statements for CANE, SOYB and WEAT were declared effective by the SEC. On July 15, 2016, a subsequent registration statement for WEAT was declared effective. This registration

statement for WEAT registered an additional 24,050,000 shares; therefore, as of July 15, 2016 the Fund had 25,350,000 shares available.

On February 10, 2012, the Form S-1 for TAGS was declared effective by the SEC. On March 27, 2012, six Creation Baskets for TAGS were issued representing 300,000 shares and $15,000,000. TAGS began trading on the NYSE Arca on March 28, 2012. On April 30, 2015, a subsequent registration statement for TAGS was declared effective by the SEC.

The Funds are designed and managed so that the daily changes in percentage terms of the Shares Net Asset Value (NAV) reflect the daily changes in percentage terms of a weighted average of the closing settlement prices for specific futures contracts on designated commodities (each, a Designated Commodity) or the closing Net Asset Value per share of the Underlying Funds (as defined below) in the case of TAGS. Each Fund pursues its investment objective by investing in a portfolio of exchange-traded futures contracts (each, a Futures Contract) that expire in a specific month and trade on a specific exchange in the Specified Commodity comprising the Benchmark, as defined below or shares of the Underlying Funds in the case of TAGS. Each Fund also holds United States Treasury Obligations and/or other high credit quality short-term fixed income securities for deposit with the commodity broker of the Funds as margin.

The Investment Objective of the Funds

The investment objective of CORN is to have the daily changes in percentage terms of the Shares NAV reflect the daily changes in percentage terms of a weighted average of the closing settlement prices for three futures contracts for corn (Corn Futures Contracts) that are traded on the Chicago Board of Trade (CBOT), specifically (1) the second-to-expire CBOT Corn Futures Contract, weighted 35%, (2) the third-to-expire CBOT Corn Futures Contract, weighted 30%, and (3) the CBOT Corn Futures Contract expiring in the December following the expiration month of the third-to-expire contract, weighted 35%.

The investment objective of SOYB is to have the daily changes in percentage terms of the Shares NAV reflect the daily changes in percentage terms of a weighted average of the closing settlement prices for three futures contracts for soybeans (Soybean Futures Contracts) that are traded on the CBOT. The three Soybean Futures Contracts will generally be: (1) second-to-expire CBOT Soybean Futures Contract, weighted 35%, (2) the third-to-expire CBOT Soybean Futures Contract, weighted 30%, and (3) the CBOT Soybean Futures Contract expiring in the November following the expiration month of the third-to-expire contract, weighted 35%.

The investment objective of CANE is to have the daily changes in percentage terms of the Shares NAV reflect the daily changes in percentage terms of a weighted average of the closing settlement prices for three futures contracts for sugar (Sugar Futures Contracts) that are traded on ICE Futures US (ICE Futures), specifically: (1) the second-to-expire Sugar No. 11 Futures Contract (a Sugar No. 11 Futures Contract), weighted 35%, (2) the third-to-expire Sugar No. 11 Futures Contract, weighted 30%, and (3) the Sugar No. 11 Futures Contract expiring in the March following the expiration month of the third-to-expire contract, weighted 35%.

The investment objective of WEAT is to have the daily changes in percentage terms of the Shares NAV reflect the daily changes in percentage terms of a weighted average of the closing settlement prices for three futures contracts for wheat (Wheat Futures Contracts) that are traded on the CBOT, specifically: (1) the second-to-expire CBOT Wheat Futures Contract, weighted 35%, (2) the third-to-expire CBOT Wheat Futures Contract, weighted 30%, and (3) the CBOT Wheat Futures Contract expiring in the December following the expiration month of the third-to-expire contract, weighted 35%.

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The investment objective of the TAGS is to have the daily changes in percentage terms of the NAV of its Shares reflect the daily changes in percentage terms of a weighted average (the Underlying Fund Average) of the NAVs per share of four other commodity pools that are series of the Trust and are sponsored by the Sponsor: the Teucrium Corn Fund, the Teucrium Wheat Fund, the Teucrium Soybean Fund and the Teucrium Sugar Fund (collectively, the Underlying Funds). The Underlying Fund Average will have a weighting of 25% to each Underlying Fund, and the Fund s assets will be rebalanced, generally on a daily basis, to maintain the approximate 25% allocation to each Underlying Fund.

This weighted average of the referenced specific Futures Contracts for each Fund is referred to herein as the Benchmark, and the specific Futures Contracts that at any given time make up the Benchmark for that Fund and are referred to herein as the Benchmark Component Futures Contracts.

The notional amount of each Benchmark Component Futures Contract included in each Benchmark is intended to reflect the changes in market value of each such Benchmark Component Futures Contract within the Benchmark. The closing level of each Benchmark is calculated on each business day by the Bank of New York Mellon (the Administrator) based on the closing price of the futures contracts for each of the underlying Benchmark Component Futures Contracts and the notional amounts of such Benchmark Component Futures Contracts.

Each Benchmark is rebalanced periodically to ensure that each of the Benchmark Component Futures Contracts is weighted in the same proportion as in the investment objective for each Fund. The following tables reflect the June 30, 2016, Benchmark Component Futures Contracts weights for each of the Funds, the contract held is identified by the generally accepted nomenclature of contract month and year, which may differ from the month in which the contract expires:

CORN Benchmark Component Futures Contracts	Notional Value	Weight (%)	
CBOT Corn Futures (1,245 contracts, SEP16)	$ 22,752,375	34	%
CBOT Corn Futures (1,052 contracts, DEC16)	19,527,750	30	
CBOT Corn Futures (1,229 contracts, DEC17)	23,888,688	36	
Total at June 30, 2016	$ 66,168,813	100	%

SOYB Benchmark Component Futures Contracts	Notional Value	Weight (%)	
CBOT Soybean Futures (79 contracts, NOV16)	$ 4,555,338	36	%
CBOT Soybean Futures (68 contracts, JAN17)	3,904,050	30	
CBOT Soybean Futures (88 contracts, NOV17)	4,371,400	34	
Total at June 30, 2016	$ 12,830,788	100	%

CANE Benchmark Component Futures Contracts	Notional Value	Weight (%)	
ICE Sugar Futures (109 contracts, MAR17)	$ 2,494,094	35	%
ICE Sugar Futures (98 contracts, MAY17)	2,118,368	30	
ICE Sugar Futures (124 contracts, MAR18)	2,474,842	35	

Total at June 30, 2016	$	7,087,304	100	%

WEAT Benchmark Component Futures Contracts	Notional Value		Weight (%)	
CBOT Wheat Futures (577 contracts, SEP16)	$	12,852,675	35	%
CBOT Wheat Futures (474 contracts, DEC16)		11,032,350	30	
CBOT Wheat Futures (489 contracts, DEC17)		12,866,813	35	
Total at June 30, 2016	$	36,751,838	100	%

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TAGS Benchmark Component Futures Contracts	Fair Value	Weight (%)	
Shares of Teucrium Corn Fund (16,208 shares)	$ 329,703	23	%
Shares of Teucrium Soybean Fund (17,631 shares)	376,694	26	
Shares of Teucrium Wheat Fund (41,737 shares)	342,915	24	
Shares of Teucrium Sugar Fund (29,724 shares)	384,016	27	
Total at June 30, 2016	$ 1,433,328	100	%

The price relationship between the near month Futures Contract to expire and the Benchmark Component Futures Contracts will vary and may impact both the total return of each Fund over time and the degree to which such total return tracks the total return of the price indices related to the commodity of each Fund. In cases in which the near month contract s price is lower than later-expiring contracts prices (a situation known as contango in the futures markets), then absent the impact of the overall movement in commodity prices the value of the Benchmark Component Futures Contracts would tend to decline as they approach expiration. In cases in which the near month contract s price is higher than later-expiring contracts prices (a situation known as backwardation in the futures markets), then absent the impact of the overall movement in a Fund s prices the value of the Benchmark Component Futures Contracts would tend to rise as they approach expiration, all other things being equal.

The total portfolio composition for each Fund is disclosed each business day that the NYSE Arca is open for trading on the Fund s website. The website for CORN is www.teucriumcornfund.com; for CANE is www.teucriumcanefund.com; for SOYB is www.teucriumsoybfund.com; for WEAT is www.teucriumweatfund.com; for TAGS is www.teucriumtagsfund.com. These sites are accessible at no charge. The website disclosure of portfolio holdings is made daily and includes, as applicable, the name and value of each Futures Contract, Other Commodity Interest and the amount of cash and cash equivalents held in the Fund s portfolio. The specific types of Other Commodity Interests (in addition to futures contracts, options on futures contracts and derivative contracts) that are tied to various commodities are entered into outside of public exchanges. These over-the-counter contracts are entered into between two parties in private contracts, or on a recently formed swap execution facility (SEF) for standardized swaps. For example, unlike Futures Contracts, which are guaranteed by a clearing organization, each party to an over-the-counter derivative contract bears the credit risk of the other party (unless such over-the-counter swap is cleared through a derivatives clearing organization (DCO)), i.e., the risk that the other party will not be able to perform its obligations under its contract, and characteristics of such Other Commodity Interests.

Consistent with achieving a Fund s investment objective of closely tracking the Benchmark, the Sponsor may for certain reasons cause the Fund to enter into or hold Futures Contracts other than the Benchmark Component Futures Contracts and/or Other Commodity Interests. Other Commodity Interests that do not have standardized terms and are not exchange-traded, referred to as over-the-counter Corn Interests, can generally be structured as the parties to the Corn Interest contract desire. Therefore, each Fund might enter into multiple and/or over-the-counter Interests intended to replicate the performance of each of the Benchmark Component Futures Contracts for the Fund, or a single over-the-counter Interest designed to replicate the performance of the Benchmark as a whole. Assuming that there is no default by a counterparty to an over-the-counter Interest, the performance of the Interest will necessarily correlate with the performance of the Benchmark or the applicable Benchmark Component Futures Contract. Each Fund might also enter into or hold Interests other than Benchmark Component Futures Contracts to facilitate effective trading, consistent with the discussion of the Fund s roll strategy. In addition, each Fund might enter into or hold Interests that would be expected to alleviate overall deviation between the Fund s performance and that of the

Benchmark that may result from certain market and trading inefficiencies or other reasons. By utilizing certain or all of the investments described above, the Sponsor will endeavor to cause the Fund s performance to closely track that of the Benchmark of the Fund.

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An exchange for related position (EFRP) can be used by the Fund as a technique to facilitate the exchanging of a futures hedge position against a creation or redemption order, and thus the Fund may use an EFRP transaction in connection with the creation and redemption of shares. The market specialist/market maker that is the ultimate purchaser or seller of shares in connection with the creation or redemption basket, respectively, agrees to sell or purchase a corresponding offsetting futures position which is then settled on the same business day as a cleared futures transaction by the FCMs. The Fund will become subject to the credit risk of the market specialist/market maker until the EFRP is settled or terminated. The Fund reports all activity related to EFRP transactions under the procedures and guidelines of the CFTC and the exchanges on which the futures are traded.

The Funds earn interest income from the Treasury securities and/or cash equivalents that it purchases and on the cash it holds through the Custodian or other financial institution. The Sponsor anticipates that the earned interest income will increase the NAV of each Fund. The Funds apply the earned interest income to the acquisition of additional investments or uses it to pay its expenses. If the Fund reinvests the earned interest income, it makes investments that are consistent with its investment objectives. Any Treasury security and cash equivalent invested by a Fund will have original maturity dates of three months or less at inception. Any cash equivalents invested by a Fund will be rated in the highest short-term rating category by a nationally recognized statistical rating organization or will be deemed by the Sponsor to be of comparable quality. As of June 30, 2016, available cash balances in each of the Funds were invested in either the Fidelity Government Money Market Portfolio or in demand deposits at Rabobank, N.A.

In managing the assets of the Funds, the Sponsor does not use a technical trading system that automatically issues buy and sell orders. Instead, the Sponsor will purchase or sell the specific underlying Commodity Interests with an aggregate market value that approximates the amount of cash received or paid upon the purchase or redemption of Shares.

The Sponsor does not anticipate letting the commodity Futures Contracts of any Fund expire, thus taking delivery of the underlying commodity. Instead, the Sponsor will close out existing positions, for instance, in response to ongoing changes in the Benchmark or if it otherwise determines it would be appropriate to do so and reinvest the proceeds in new Commodity Interests. Positions may also be closed out to meet redemption orders, in which case the proceeds from closing the positions will not be reinvested.

The Sponsor employs a neutral investment strategy intended to track the changes in the Benchmark of each Fund regardless of whether the Benchmark goes up or goes down. The Fund s neutral investment strategy is designed to permit investors generally to purchase and sell the Fund s Shares for the purpose of investing indirectly in the commodity-specific market in a cost-effective manner. Such investors may include participants in the specific industry and other industries seeking to hedge the risk of losses in their commodity-specific-related transactions, as well as investors seeking exposure to that commodity market. Accordingly, depending on the investment objective of an individual investor, the risks generally associated with investing in the commodity-specific market and/or the risks involved in hedging may exist. In addition, an investment in a Fund involves the risks that the changes in the price of the Fund s Shares will not accurately track the changes in the Benchmark, and that changes in the Benchmark will not closely correlate with changes in the price of the commodity on the spot market. The Sponsor does not intend to operate each Fund in a fashion such that its per share NAV equals, in dollar terms, the spot price of the commodity or the price of any particular commodity-specific Futures Contract.

The Sponsor

Teucrium Trading, LLC is the sponsor of the Trust and each of the series of the Trust. The Sponsor is a Delaware limited liability company, formed on July 28, 2009. The principal office is located at 232 Hidden Lake Road, Brattleboro, Vermont 05301. The Sponsor is registered as a commodity pool operator (CPO) with the Commodity Futures Trading Commission (CFTC) and became a member of the National Futures Association (NFA) on November 10, 2009. The Trust and the Funds operate pursuant to the Trust Agreement.

Under the Trust Agreement, the Sponsor is solely responsible for the management, and conducts or directs the conduct of the business of the Trust, the Funds, and any other Fund that may from time to time be established and designated by the Sponsor. The Sponsor is required to oversee the purchase and sale of Shares by firms designated as Authorized Purchasers and to manage the Funds investments, including to evaluate the credit risk of futures commission merchants and swap counterparties and to review daily positions and margin/collateral requirements. The Sponsor has the power to enter into agreements as may be necessary or appropriate for the offer and sale of the Funds Shares and the conduct of the Trust s activities. Accordingly, the Sponsor is responsible for selecting the Trustee, Administrator, Distributor, the independent registered public accounting firm of the Trust, and any legal counsel employed by the Trust. The Sponsor is also responsible for preparing and filing periodic reports on behalf of the Trust with the SEC and providing any required certification for such reports. No person other than the Sponsor and its principals was involved in the organization of the Trust or the Funds.

Teucrium Trading, LLC designs the Funds to offer liquidity, transparency, and capacity in single-commodity investing for a variety of investors, including institutions and individuals, in an exchange-traded product format. The Funds have also been designed to mitigate the impacts of contango and backwardation, situations that can occur in the course of commodity trading which can affect the potential returns to investors. Backwardation is defined as a market condition in which a futures price of a commodity is lower in the distant delivery months than in the near delivery months, while contango, the opposite of backwardation, is defined as a condition in which distant delivery prices for futures exceed spot prices, often due to the costs of storing and insuring the underlying commodity.

The Sponsor has a patent on certain business methods and procedures used with respect to the Funds.

Performance Summary

This report covers the periods from January 1 to June 30, 2016 for each Fund. Total expenses are presented both gross and net of any expenses waived or paid by the Sponsor that would have been incurred by the Funds (expenses waived by the Sponsor).

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CORN Per Share Operation Performance			
Net asset value at beginning of period	$	21.24	
Loss from investment operations:			
Investment income		0.06	
Net realized and unrealized loss on commodity futures contracts		(0.45	)
Total expenses		(0.51	)
Net decrease in net asset value		(0.90	)
Net asset value end of period	$	20.34	
Total Return		(4.24	)%
Ratios to Average Net Assets (Annualized)			
Total expenses		4.77	%
Total expenses, net		4.77	%
Net investment loss		(4.24	)%
SOYB Per Share Operation Performance			
Net asset value at beginning of period	$	17.34	
Gain from investment operations:			
Investment income		0.05	
Net realized and unrealized gain on commodity futures contracts		4.36	
Total expenses		(0.38	)
Net increase in net asset value		4.03	
Net asset value at end of period	$	21.37	
Total Return		23.24	%
Ratios to Average Net Assets (Annualized)			
Total expenses		4.04	%
Total expenses, net		4.04	%
Net investment loss		(3.51	)%

CANE Per Share Operation Performance			
Net asset value at beginning of period	$	10.02	
Gain from investment operations:			
Investment income		0.02	
Net realized and unrealized gain on commodity futures contracts		3.00	
Total expenses		(0.12	)
Net increase in net asset value		2.90	
Net asset value at end of period	$	12.92	
Total Return		28.94	%
Ratios to Average Net Assets (Annualized)			
Total expenses		5.07	%
Total expenses, net		2.32	%
Net investment loss		(1.81	)%
WEAT Per Share Operation Performance			
Net asset value at beginning of period	$	9.15	
Loss from investment operations:			

Investment income		0.02	
Net realized and unrealized loss on commodity futures contracts		(0.76	)
Total expenses		(0.19	)
Net decrease in net asset value		(0.93	)
Net asset value at end of period	$	8.22	
Total Return		(10.16	)%
Ratios to Average Net Assets (Annualized)			
Total expenses		4.29	%
Total expenses, net		4.29	%
Net investment loss		(3.76	)%

TAGS Per Share Operation Performance			
Net asset value at beginning of period	$	26.59	
Gain from investment operations:			
Investment income		-	
Net realized and unrealized gain on investment transactions		2.28	
Total expenses		(0.07	)
Net increase in net asset value		2.21	
Net asset value at end of period	$	28.80	
Total Return		8.31	%
Ratios to Average Net Assets (Annualized)			
Total expenses		4.21	%
Total expenses, net		0.50	%
Net investment loss		(0.50	)%

The performance of each Fund for these periods and the exchange-traded Shares are detailed below in Results of Operations. Past performance of a Fund is not necessarily indicative of future performance.

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Results of Operations

The following includes a section for each Fund of the Trust.

The discussion below addresses the material changes in the results of operations for the three months and six months ended June 30, 2016 compared to the same periods in 2015. The following includes a section for each Fund of the Trust for the periods in which each Fund was in operation. CORN, SOYB, WEAT, CANE and TAGS each operated for the entirety of all periods.

Total expenses for the current and comparative periods are presented both gross and net of any expenses waived or paid by the Sponsor that would have been incurred by the Funds (expenses waived by the Sponsor). For all expenses waived in 2015 and 2016, the Sponsor has determined that no reimbursement will be sought in future periods. Total expenses, net is after the impact of any expenses waived by the Sponsor.

The Sponsor is responsible for investing the assets of the Fund in accordance with the objectives and policies of the Fund. In addition, the Sponsor arranges for one or more third parties to provide administrative, custodial, accounting, transfer agency and other necessary services to the Fund, including services directly attributable to the Fund such as accounting, financial reporting, regulatory compliance and trading activities, which the Sponsor elected not to outsource. In addition, the Funds, except for TAGS which has no such fee, are contractually obligated to pay a monthly management fee to the Sponsor, based on average daily net assets, at a rate equal to 1.00% per annum.

The Fund generally pays for all brokerage fees, taxes and other expenses, including licensing fees for the use of intellectual property, registration or other fees paid to the SEC, the Financial Industry Regulatory Authority (FINRA), or any other regulatory agency in connection with the offer and sale of subsequent Shares after its initial registration and all legal, accounting, printing and other expenses associated therewith. Each Fund also pays its portion of the fees and expenses associated with the Trust s tax accounting and reporting requirements. Certain aggregate expenses common to all Funds within the Trust are allocated by the Sponsor to the respective funds based on activity drivers deemed most appropriate by the Sponsor for such expenses, including but not limited to relative assets under management and creation and redeem order activity. These aggregate common expenses include, but are not limited to, legal, auditing, accounting and financial reporting, tax-preparation, regulatory compliance, trading activities, and insurance costs, as well as fees paid to the Distributor, which are included in the related line item in the statements of operations. A portion of these aggregate common expenses are related to services provided by the Sponsor or related parties of principals of the Sponsor; these are necessary services to the Funds, which are primarily the cost of performing accounting and financial reporting, regulatory compliance, and trading activities that are directly attributable to the Funds and are, primarily, included as distribution and marketing fees on the statements of operations. These amounts, for the Trust and for each Fund, are detailed in the notes to the financial statements included in Part I of this filing.

The Sponsor has the ability to elect to pay certain expenses on behalf of the Funds or waive the management fee. This election is subject to change by the Sponsor, at its discretion. Expenses paid by the Sponsor and Management fees waived by the Sponsor are, if applicable, presented as waived expenses in the statements of operations for each Fund.

On August 17, 2015 (the Conversion Date), U.S. Bank N.A. replaced The Bank of New York Mellon as the Custodian for the Funds. In addition, effective on the Conversion Date, U.S. Bancorp Fund Services, LLC (USBFS), a wholly owned subsidiary of U.S. Bank, commenced serving as administrator for each Fund, performing certain administrative

and accounting services and preparing certain SEC reports on behalf of the Funds, and also became the registrar and transfer agent for each Fund s Shares. For such services, U.S. Bank, N.A. and USBFS will receive an asset-based fee, subject to a minimum annual fee.

The Sponsor stated in the Forms 10-Q filed on August 10, 2015 and November 9, 2015, the Form 10-K filed on March 15, 2016, in addition to other documents filed with the Securities and Exchange Commission, that it did not anticipate any material change to the expenses for any Fund, net of expenses waived by the Sponsor, as a result of the servicing conversion to USBFS and U.S. Bank, N.A. for the year 2015 and in future periods. For the periods for the year 2016 presented in this filing, any change in custodian fees and expenses resulting from the change in Administrator and Custodian, net of amounts waived by the Sponsor, are not considered by Management to be material.

Given this conversion, beginning with the quarter ended June 30, 2015 and for the year-ended December 31, 2015, the combined statements of operations reflected an expense, before and after fees waived by the Sponsor, for fees associated with Custodian, Fund Administration and Transfer Agent services (Custodian Fees) that have or will be paid to the Bank of New York Mellon by a Fund or by the Sponsor on behalf of a Fund. The Custodian Fees reflected in the financial statements through December 31, 2015, net of expenses waived by the Sponsor, were generally as had been presented in prior periods of 2015.

Teucrium Corn Fund

The Teucrium Corn Fund commenced investment operations on June 9, 2010. The investment objective of the Corn Fund is to have the daily changes in percentage terms of the Shares NAV reflect the daily changes in percentage terms of a weighted average of the closing settlement prices for three futures contracts for corn (Corn Futures Contracts) that are traded on the Chicago Board of Trade (CBOT), specifically (1) the second-to-expire CBOT Corn Futures Contract, weighted 35%, (2) the third-to-expire CBOT Corn Futures Contract, weighted 30%, and (3) the CBOT Corn Futures Contract expiring in the December following the expiration month of the third-to-expire contract, weighted 35%.

On June 30, 2016, the Fund had 3,250,004 shares outstanding and net assets of $66,112,262. This is in comparison to 3,350,004 shares outstanding and net assets of $86,694,490 on June 30, 2015 and 2,750,004 shares outstanding with net assets of $55,535,024 on March 31, 2016. Shares outstanding decreased by 100,000 and 3% for the period ended June 30, 2016 when compared to June 30, 2015 and increased by 500,000 and 18% for the period ended June 30, 2016 when compared to March 31, 2016. This slight decrease over the same period last year was, in the opinion of management, due to the above average harvests in the U.S. and other areas for the 2015-2016 and estimated 2016-2017 crop years as well as increased concerns regarding global economic growth, particularly in China. In addition, the decreasing price of oil reduces, to some extent, the producer urgency to use grains, such as corn, as an alternative fuel or fuel additive. The increase over the last quarter was due to uncertainty concerning global weather patterns and the decrease in the price of agricultural commodities which has generated renewed interest by investors.

Total net assets for the Fund were $66,112,262 on June 30, 2016 compared to $86,694,490 on June 30, 2015 and $55,535,024 on March 31, 2016. The Net Asset Values (NAV) per share related to these balances were $20.34, $25.88 and $20.19 respectively. This represents a decrease in total net assets for the year over year of 24% which was driven

by a combination of a decrease in the number of shares outstanding and a change in the NAV per share which decreased by $5.54 or 21%. When comparing June 30, 2016 with March 31, 2016, there was an increase in total net assets of 19%, driven by an increase in total shares outstanding of 18% and a slight increase in the NAV per share of $0.15 or 1%. The closing prices per share for June 30, 2016 and 2015 and March 31, 2016, as reported by the NYSE Arca, were $20.50, $25.85 and $20.12, respectively. The change for June 30, 2016 over the same period last year was a 21% decrease, and a 2% increase from March 31, 2016.

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The graph below shows the actual shares outstanding, total net assets (or AUM) and net asset value per share (NAV per share) for the Fund from inception to June 30, 2016 and serves to illustrate the relative changes of these components.

The total income for the three-month period ended June 30, 2016 was $190,068 resulting primarily from the net change in realized loss on commodity futures contracts totaling ($300,213), which was offset by a net change in unrealized appreciation of commodity futures contracts of $403,163. Total income was $4,832,415 in the same period of 2015. The total loss for the six-month period ended June 30, 2016 was ($1,976,796) resulting primarily from the net change in realized loss on commodity futures contracts totaling ($2,392,088), and by a net change in unrealized appreciation of commodity futures contracts of $251,063. Total loss was ($811,735) in the same period of 2015. Realized gain or loss on trading of commodity futures contracts is a function of: 1) the change in the price of the particular contracts sold as part of a roll in contracts as the nearest to expire contracts are exchanged for the appropriate contact given the investment objective of the fund, 2) the change in the price of particular contracts sold in relation to redemption of shares, 3) the gain or loss associated with rebalancing trades which are made to ensure conformance to the benchmark and 4) the number of contracts held and then sold for either circumstance aforementioned. Unrealized gain or loss on trading of commodity futures contracts is a function of the change in the price of contracts held on the final date of the period versus the purchase price for each contract and the number of contracts held in each contract month. The Sponsor has a static benchmark as described above and trades futures contracts to adhere to that benchmark and to adjust for the creation or redemption of shares.

Interest income and other income for three-month period ended June 30, 2016 and 2015, respectively, was $87,118 and $23,739. For the six-month period, these amounts were $164,229 and $30,552. This increase year-over-year was the result of the Sponsor investing a portion of the available cash for the Fund in alternative demand-deposit savings accounts. This change was effective beginning in the second quarter of 2015. These accounts had higher overnight deposit rates than were available in money market products that had been utilized solely in the past. In addition, effective in mid-December 2015, interest rates paid on cash balances of the Fund increased again in light of the increases in the Federal Fund s rate. These higher levels of interest rates are expected to continue in 2016, absent any decreases in the Federal Funds rate.

Total expenses gross of expenses waived by the Sponsor (Total expenses) for the three-month period ended June 30, 2016 were $700,320; expenses for the same period in 2015 were $767,280. This represents a ($66,960) or 9% decrease for 2016 over 2015. The decrease was driven by a ($28,797) or 15% decrease in the management fee paid to the Sponsor as a result of lower average net assets, a ($28,090) or 10% decrease in distribution and marketing expenses, a ($10,700) or 78% decrease in business permits and licenses, a ($29,500) or 56% decrease in general and administrative expenses, and a ($6,762) or 45% decrease in other expenses. These decreases were offset by increases in professional fees related to auditing, legal and tax preparation fees of $14,500 or 9%, custodian fees and expenses

of $7,989 or 25%, and brokerage commissions of $14,400. The total expense ratio gross of expenses waived by the Sponsor for the three-month period for these years was 4.29% in 2016 and 3.99% in 2015. The management fee is calculated at an annual rate of 1% of the Fund s daily average net assets.

Total expenses gross of expenses waived by the Sponsor (Total expenses) for the six-month period ended June 30, 2016 were $1,473,672; expenses for the same period in 2015 were $1,540,334. This represents a ($66,662) or 4% decrease for 2016 over 2015. The decrease was driven by a ($108,663) or 26% decrease in the management fee paid to the Sponsor as a result of lower average net assets, a ($23,675) or 5% decrease in professional fees related to auditing, legal and tax preparation fees, a ($19,252) or 72% decrease in business permits and licenses, and a ($34,795) or 38% decrease in general and administrative expenses. These decreases were offset by increases in distribution and marketing expenses of $92,695 or 20%, custodian fees and expenses of $17,393 or 27%, brokerage commissions of $9,350 or 40% and other expenses of $285 or 2%. The total expense ratio gross of expenses waived by the Sponsor for the six-month period for these years was 4.77% in 2016 and 3.70% in 2015. The management fee is calculated at an annual rate of 1% of the Fund s daily average net assets.

The Sponsor has the ability to elect to pay certain expenses on behalf of the Fund or waive the management fee. This election is subject to change by the Sponsor, at its discretion. For the three-month periods ended June 30, 2016 and 2015, the Sponsor waived fees of $0. For the six-month periods ended June 30, 2016 and 2015, the Sponsor waived fees of $0.

Total expenses net of expenses waived by the Sponsor (Total expenses, net) for the three-month period ended June 30, 2016 and 2015 were $700,320 and $767,280 respectively. The total expense ratio net of expenses waived by the Sponsor for these three-month periods was 4.29% in 2016 and 3.99% in 2015.

Total expenses net of expenses waived by the Sponsor (Total expenses, net) for the six-month period ended June 30, 2016 and 2015 were $1,432,672 and $1,540,334 respectively. The total expense ratio net of expenses waived by the Sponsor for these six-month periods was 4.77% in 2016 and 3.70% in 2015.

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Other than the management fee to the Sponsor and the brokerage commissions, most of the expenses incurred by the Fund are associated with the day-to-day operation of the Fund and the necessary functions related to regulatory compliance. These are generally based on contracts, which extend for some period of time and up to one year, or commitments regardless of the level of assets under management. The structure of the Fund and the nature of the expenses are such that as total net assets grow, there is a scalability of expenses that may allow the total expense ratio to be reduced. However, if total net assets for the Fund fall, the total expense ratio of the Fund will increase unless additional reductions are made by the Sponsor to the daily expense accrual. The Sponsor can elect to adjust the daily expense accruals at its discretion based on market conditions and other Fund considerations.

The seasonality patterns for corn futures prices are impacted by a variety of factors. These include, but are not limited to, the harvest in the fall, the planting conditions in the spring, and the weather throughout the critical germination and growing periods. Prices for corn futures are affected by the availability and demand for substitute agricultural commodities, including soybeans and wheat, and the demand for corn as an additive for fuel, through the production of ethanol. The price of corn futures contracts is also influenced by global economic conditions, including the demand for exports to other countries. Such factors will impact the performance of the Fund and the results of operations on an ongoing basis. The Sponsor cannot predict the impact of such factors.

Teucrium Soybean Fund

The Teucrium Soybean Fund commenced investment operations on September 19, 2011. The investment objective of the Fund is to have the daily changes in percentage terms of the Shares Net Asset Value (NAV) reflect the daily changes in percentage terms of a weighted average of the closing settlement prices for three futures contracts for soybeans (Soybean Futures Contracts) that are traded on the Chicago Board of Trade (CBOT). Except as described in the following paragraph, the three Soybean Futures Contracts will be: (1) second-to-expire CBOT Soybean Futures Contract, weighted 35%, (2) the third-to-expire CBOT Soybean Futures Contract, weighted 30%, and (3) the CBOT Soybean Futures Contract expiring in the November following the expiration month of the third-to-expire contract, weighted 35%.

On June 30, 2016, the Fund had 600,004 shares outstanding and net assets of $12,819,447. This is in comparison to 350,004 shares outstanding and net assets of $7,211,073 on June 30, 2015 and 600,004 shares outstanding with net assets of $10,814,995 on March 31, 2016. Shares outstanding increased by 250,000 and 71% for the period ended June 30, 2016 when compared to June 30, 2015 and were the same when compared to March 31, 2016. This increase in shares over 2015 was, in the opinion of Management, due to concerns regarding the global harvest for the 2015-16 and 2016-17 crop years.

Total net assets for the Fund were $12,819,447 on June 30, 2016 compared to $7,211,073 on June 30, 2015 and $10,814,995 on March 31, 2016. The Net Asset Values (NAV) per share related to these balances were $21.37, $20.60 and $18.02 respectively. This represents an increase in total net assets for the year over year of 78% which was driven by a combination of an increase in the number of shares outstanding and a change in the NAV per share which

increased by $0.77 or 4%. When comparing June 30, 2016 with March 31, 2016, there was an increase in total net assets of 19%, driven by an increase in the NAV per share of $3.35 or 19%. The closing prices per share for June 30, 2016 and 2015 and March 31, 2016, as reported by the NYSE Arca, were $21.34, $20.49 and $18.02, respectively. The change from June 30, 2016 over the same period last year was a 4% increase, and an 18% increase from March 31, 2016.

The graph below shows the actual shares outstanding, total net assets (or AUM) and net asset value per share (NAV per share) for the Fund from inception to June 30, 2016 and serves to illustrate the relative changes of these components.

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Total income for the three-month period ended June 30, 2016 was $2,124,042 resulting primarily from the net change in realized gain on commodity futures contracts totaling $861,575, and by a net change in unrealized appreciation of commodity futures contracts of $1,246,300. Total income was $387,766 in the same period of 2015. Total income for the six-month period ended June 30, 2016 was $2,580,119 resulting primarily from the net change in realized gain on commodity futures contracts totaling $961,900, and by a net change in unrealized appreciation of commodity futures contracts of $1,590,925. Total loss was ($138,322) in the same period of 2015. Realized gain or loss on trading of commodity futures contracts is a function of: 1) the change in the price of the particular contracts sold as part of a roll in contracts as the nearest to expire contracts are exchanged for the appropriate contact given the investment objective of the fund, 2) the change in the price of particular contracts sold in relation to redemption of shares, 3) the gain or loss associated with rebalancing trades which are made to ensure conformance to the benchmark and 4) the number of contracts held and then sold for either circumstance aforementioned. Unrealized gain or loss on trading of commodity futures contracts is a function of the change in the price of contracts held on the final date of the period versus the purchase price for each contract and the number of contracts held in each contract month. The Sponsor has a static benchmark as described above and trades futures contracts to adhere to that benchmark and to adjust for the creation or redemption of shares.

Interest income and other income for three-month period ended June 30, 2016 and 2015, respectively, was $16,167 and $1,491. For the six-month period, these amounts were $27,294 and $1,840. This increase year-over-year was the result of the Sponsor investing a portion of the available cash for the Fund in alternative demand-deposit savings accounts. This change was effective beginning in the second quarter of 2015. These accounts had higher overnight deposit rates than were available in money market products that had been utilized solely in the past. In addition, effective in mid-December 2015, interest rates paid on cash balances of the Fund increased again in light of the increases in the Federal Fund s rate. These higher levels of interest rates are expected to continue in 2016, absent any decreases in the Federal Funds rate.

Total expenses gross of expenses waived by the Sponsor (Total expenses) for the three-month period ended June 30, 2016 were $122,710; expenses for the same period in 2015 were $112,600. This represents a $10,110 or 9% increase for 2016 over 2015. The increase was driven by a $14,999 or 97% increase in the management fee paid to the Sponsor as a result of higher average net assets, a $51,086 or 650% increase in distribution and marketing fees, a $3,956 or 85% increase in general and administrative expenses, and a $2,569 or 1,007% increase in other expenses. These were partially offset by a ($53,277) or 87% decrease in custodian fees and expenses, a ($4,205) or 32% decrease in professional fees related to auditing, legal and tax preparation fees, a ($4,066) or 47% decrease in business permits and licenses, and a ($952) or 68% decrease in brokerage commissions due to changes in the roll procedures for certain contracts instituted by the Sponsor. The total expense ratio gross of expenses waived by the Sponsor for the three-month period for these years was 4.03% in 2016 and 7.29% in 2015. The management fee is calculated at an annual rate of 1% of the Fund s daily average net assets.

Total expenses gross of expenses waived by the Sponsor (Total expenses) for the six-month period ended June 30, 2016 were $209,194; expenses for the same period in 2015 were $205,439. This represents a $3,755 or 2% increase for 2016 over 2015. The increase was driven by a $14,916 or 40% increase in the management fee paid to the Sponsor as a result of higher average net assets, a $47,471 or 100% increase in distribution and marketing fees, a

$5,425 or 60% increase in general and administrative expenses, and a $2,950 or 118% increase in other expenses. These were partially offset by a ($52,060) or 81% decrease in custodian fees and expenses, a ($12,764) or 39% decrease in professional fees related to auditing, legal and tax preparation fees, a ($928) or 9% decrease in business permits and licenses, and a ($1,255) or 45% decrease in brokerage commissions due to changes in the roll procedures for certain contracts instituted by the Sponsor. The total expense ratio gross of expenses waived by the Sponsor for the six-month period for these years was 4.04% in 2016 and 5.60% in 2015. The management fee is calculated at an annual rate of 1% of the Fund s daily average net assets.

The Sponsor has the ability to elect to pay certain expenses on behalf of the Fund or waive the management fee. This election is subject to change by the Sponsor, at its discretion. For the three-month periods ended June 30, 2016 and 2015, the Sponsor waived fees of $0 and $65,022, respectively. For the six-month periods ended June 30, 2016 and 2015, the Sponsor waived fees of $0 and $114,172, respectively.

Total expenses net of expenses waived by the Sponsor (Total expenses, net) for the three-month period ended June 30, 2016 and 2015 were $122,710 and $47,578 respectively. The total expense ratio net of expenses waived by the Sponsor for these three-month periods was 4.03% in 2016 and 3.08% in 2015.

Total expenses net of expenses waived by the Sponsor (Total expenses, net) for the six-month period ended June 30, 2016 and 2015 were $209,194 and $91,267 respectively. The total expense ratio net of expenses waived by the Sponsor for these six-month periods was 4.04% in 2016 and 2.49% in 2015.

Other than the management fee to the Sponsor and the brokerage commissions, most of the expenses incurred by the Fund are associated with the day-to-day operation of the Fund and the necessary functions related to regulatory compliance. These are generally based on contracts, which extend for some period of time and up to one year, or commitments regardless of the level of assets under management. The structure of the Fund and the nature of the expenses are such that as total net assets grow, there is a scalability of expenses that may allow the total expense ratio to be reduced. However, if total net assets for the Fund fall, the total expense ratio of the Fund will increase unless additional reductions are made by the Sponsor to the daily expense accrual. The Sponsor can elect to adjust the daily expense accruals at its discretion based on market conditions and other Fund considerations.

The seasonality patterns for soybean futures prices are impacted by a variety of factors. These include, but are not limited to, the harvest in the fall, the planting conditions in the spring, and the weather throughout the critical germination and growing periods. Prices for soybean futures are affected by the availability and demand for substitute agricultural commodities, including corn and wheat. The price of soybean futures contracts is also influenced by global economic conditions, including the demand for exports to other countries. Such factors will impact the performance of the Fund and the results of operations on an ongoing basis. The Sponsor cannot predict the impact of such factors.

Teucrium Sugar Fund

The Teucrium Sugar Fund commenced investment operations on September 19, 2011. The investment objective of the Fund is to have the daily changes in percentage terms of the Shares Net Asset Value (NAV) reflect the daily changes in percentage terms of a weighted average of the closing settlement prices for three futures contracts for sugar (Sugar

Futures Contracts) that are traded on ICE Futures US (ICE Futures), specifically: (1) the second-to-expire Sugar No. 11 Futures Contract (a Sugar No. 11 Futures Contract), weighted 35%, (2) the third-to-expire Sugar No. 11 Futures Contract, weighted 30%, and (3) the Sugar No. 11 Futures Contract expiring in the March following the expiration month of the third-to-expire contract, weighted 35%.

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On June 30, 2016, the Fund had 550,004 shares outstanding and net assets of $7,105,785. This is in comparison to 425,004 shares outstanding and net assets of $4,034,221 on June 30, 2015 and 525,004 shares outstanding with net assets of $5,525,903 on March 31, 2016. Shares outstanding increased by 125,000 and 29% for the period ended June 30, 2016 when compared to June 30, 2015 and increased by 25,000 and 5% for the period ended June 30, 2016 when compared to March 31, 2016. This increase was, in the opinion of Management, due to the concerns regarding sugar harvests in Asia and Brazil due primarily to current global weather patterns.

Total net assets for the Fund were $7,105,785 on June 30, 2016 compared to $4,034,221 on June 30, 2015 and $5,525,903 on March 31, 2016. The Net Asset Values (NAV) per share related to these balances were $12.92, $9.49 and $10.53 respectively. This represents an increase in total net assets for the year over year of 76% which was driven by a combination of an increase in the number of shares outstanding and a change in the NAV per share which increased by $3.43 or 36%. When comparing June 30, 2016 with March 31, 2016, there was an increase in total net assets of 29%, driven by an increase in total shares outstanding of 5% and an increase in the NAV per share of $2.39 or 23%. The closing prices per share for June 30, 2016 and 2015 and March 31, 2016, as reported by the NYSE Arca, were $12.96, $9.49 and $10.55, respectively. The change from June 30, 2016 over the same period last year was a 37% increase, and a 23% increase from March 31, 2016.

The graph below shows the actual shares outstanding, total net assets (or AUM) and net asset value per share (NAV per share) for the Fund from inception to June 30, 2016 and serves to illustrate the relative changes of these components.

Total income for the three-month period ended June 30, 2016 was $1,344,301, which was the result of a net change in realized gain on commodity futures contracts totaling $1,010,632, and a net change in unrealized appreciation of commodity futures contracts of $325,998. Total loss was ($90,123) in the same period of 2015. Total income for the six-month period ended June 30, 2016 was $1,345,929 resulting primarily from the net change in realized gain on commodity futures contracts totaling $1,008,874, and by a net change in unrealized appreciation of commodity futures contracts of $323,523. Total loss was ($641,899) in the same period of 2015. Realized gain or loss on trading of commodity futures contracts is a function of: 1) the change in the price of the particular contracts sold as part of a roll in contracts as the nearest to expire contracts are exchanged for the appropriate contact given the investment objective of the fund, 2) the change in the price of particular contracts sold in relation to redemption of shares, 3) the gain or loss associated with rebalancing trades which are made to ensure conformance to the benchmark and 4) the number of contracts held and then sold for either circumstance aforementioned. Unrealized gain or loss on trading of commodity futures contracts is a function of the change in the price of contracts held on the final date of the period versus the purchase price for each contract and the number of contracts held in each contract month. The Sponsor has a static benchmark as described above and trades futures contracts to adhere to that benchmark and to adjust for the creation or redemption of shares.

Interest income and other income for three-month period ended June 30, 2016 and 2015, respectively, was $7,671 and $967. For the six-month period, these amounts were $13,532 and $1,149. This increase year-over-year was the result of the Sponsor investing a portion of the available cash for the Fund in alternative demand-deposit savings accounts. This change was effective beginning in the second quarter of 2015. These accounts had higher overnight deposit rates than were available in money market products that had been utilized solely in the past. In addition, effective in mid-December 2015, interest rates paid on cash balances of the Fund increased again in light of the increases in the Federal Fund s rate. These higher levels of interest rates are expected to continue in 2016, absent any decreases in the Federal Funds rate.

Total expenses gross of expenses waived by the Sponsor (Total expenses) for the three-month period ended June 30, 2016 were $93,020; expenses for the same period in 2015 were $86,939. This represents a $6,081 or 7% increase for 2016 over 2015. The increase was driven by a $6,882 or 82% increase in the management fee paid to the Sponsor as a result of higher average net assets, a $207 or 1% increase in professional fees related to auditing, legal and tax preparation fees, a $38,487 increase in marketing and distribution expense, a $4,923 or 558% increase in business permits and licenses, a $5,774 increase in general and administrative expenses, a $2,592 increase in brokerage commission, and a $1,865 or 743% increase in other expenses. These increases were offset by a decrease in custodian fees and expenses of ($54,649) or 88%. The total expense ratio gross of expenses waived by the Sponsor for the three-month period was 6.10% in 2016 and 10.63% in 2015. The management fee is calculated at an annual rate of 1% of the Fund s daily average net assets.

Total expenses gross of expenses waived by the Sponsor (Total expenses) for the six-month period ended June 30, 2016 were $135,353; expenses for the same period in 2015 were $115,456. This represents a $19,897 or 17% increase for 2016 over 2015. The increase was driven by a $11,864 or 80% increase in the management fee paid to the Sponsor as a result of higher average net assets, a $54,844 or 665% increase in marketing and distribution expense, a $5,680 or 644% increase in business permits and licenses, a $6,677 increase in general and administrative expenses, a $3,671 increase in brokerage commission, and a $2,652 or 355% increase in other expenses. These increases were offset by a decrease in custodian fees and expenses of ($56,649) or 89% and a ($8,842) or 34% decrease in professional fees related to auditing, legal and tax preparation fees. The total expense ratio gross of expenses waived by the Sponsor for the six-month period for these years was 5.07% in 2016 and 7.78% in 2015. The management fee is calculated at an annual rate of 1% of the Fund s daily average net assets.

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The Sponsor has the ability to elect to pay certain expenses on behalf of the Fund or waive the management fee. This election is subject to change by the Sponsor, at its discretion. For the three-month periods ended June 30, 2016 and 2015, the Sponsor waived fees of $58,406 and $71,409, respectively. For the six-month periods ended June 30, 2016 and 2015, the Sponsor waived fees of $73,386 and $87,825, respectively.

Total expenses net of expenses waived by the Sponsor (Total expenses, net) for the three-month period ended June 30, 2016 and 2015 were $34,614 and $15,530 respectively. The total expense ratio net of expenses waived by the Sponsor for these three-month periods was 2.27% in 2016 and 1.90% in 2015.

Total expenses net of expenses waived by the Sponsor (Total expenses, net) for the six-month period ended June 30, 2016 and 2015 were $61,967 and $27,631 respectively. The total expense ratio net of expenses waived by the Sponsor for these six-month periods was 2.32% in 2016 and 1.86% in 2015.

Other than the management fee to the Sponsor and the brokerage commissions, most of the expenses incurred by the Fund are associated with the day-to-day operation of the Fund and the necessary functions related to regulatory compliance. These are generally based on contracts, which extend for some period of time and up to one year, or commitments regardless of the level of assets under management. The structure of the Fund and the nature of the expenses are such that as total net assets grow, there is a scalability of expenses that may allow the total expense ratio to be reduced. However, if total net assets for the Fund fall, the total expense ratio of the Fund will increase unless additional reductions are made by the Sponsor to the daily expense accrual. The Sponsor can elect to adjust the daily expense accruals at its discretion based on market conditions and other Fund considerations.

Teucrium Wheat Fund

The Teucrium Wheat Fund commenced investment operations on September 19, 2011. The investment objective of the Fund is to have the daily changes in percentage terms of the Shares Net Asset Value reflect the daily changes in percentage terms of a weighted average of the closing settlement prices for three futures contracts for wheat (Wheat Futures Contracts) that are traded on the Chicago Board of Trade (CBOT), specifically: (1) the second-to-expire CBOT Wheat Futures Contract, weighted 35%, (2) the third-to-expire CBOT Wheat Futures Contract, weighted 30%, and (3) the CBOT Wheat Futures Contract expiring in the December following the expiration month of the third-to-expire contract, weighted 35%.

On June 30, 2016, the Fund had 4,475,004 shares outstanding and net assets of $36,767,612. This is in comparison to 2,650,004 shares outstanding and net assets of $32,356,027 on June 30, 2015 and 2,825,004 shares outstanding with net assets of $25,451,724 on March 31, 2016. Shares outstanding increased by 1,825,000 and 69% for the period ended June 30, 2016 when compared to June 30, 2015 and increased by 1,650,000 and 58% for the period ended June 30, 2016 when compared to March 31, 2016. This increase was, in the opinion of management, driven principally by the historically relatively low price of wheat, which generated renewed investor interest.

Total net assets for the Fund were $36,767,612 on June 30, 2016 compared to $32,356,027 on June 30, 2015 and $25,451,724 on March 31, 2016. The Net Asset Values (NAV) per share related to these balances were $8.22, $12.21 and $9.01 respectively. This represents an increase in total net assets for the year over year of 14% which was driven by a combination of an increase in the number of shares outstanding and a change in the NAV per share which decreased by $3.99 or 33%. When comparing June 30, 2016 with March 31, 2016, there was an increase in total net assets of 45%, driven by an increase in total shares outstanding of 58% and a decrease in the NAV per share of $0.79 or 9%. The closing prices per share for June 30, 2016 and 2015 and March 31, 2016, as reported by the NYSE Arca, were $8.25, $12.26 and $9.00, respectively. The change from June 30, 2016 over the same period last year was a 33% decrease, and an 8% decrease from March 31, 2016.

The graph below shows the actual shares outstanding, total net assets (or AUM) and net asset value per share (NAV per share) for the Fund from inception to June 30, 2016 and serves to illustrate the relative changes of these components.

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The total loss for the three-month period ended June 30, 2016 was ($2,771,883) resulting primarily from the net change in realized loss on commodity futures contracts totaling ($997,587), and by a net change in unrealized depreciation of commodity futures contracts of ($1,812,239). Total income was $3,883,225 in the same period of 2015. The total loss for the six-month period ended June 30, 2016 was ($2,911,387) resulting primarily from the net change in realized loss on commodity futures contracts totaling ($1,566,700), and by a net change in unrealized depreciation of commodity futures contracts of ($1,415,250). Total income was $987,846 in the same period of 2015. Realized gain or loss on trading of commodity futures contracts is a function of: 1) the change in the price of the particular contracts sold as part of a roll in contracts as the nearest to expire contracts are exchanged for the appropriate contact given the investment objective of the fund, 2) the change in the price of particular contracts sold in relation to redemption of shares, 3) the gain or loss associated with rebalancing trades which are made to ensure conformance to the benchmark and 4) the number of contracts held and then sold for either circumstance aforementioned. Unrealized gain or loss on trading of commodity futures contracts is a function of the change in the price of contracts held on the final date of the period versus the purchase price for each contract and the number of contracts held in each contract month. The Sponsor has a static benchmark as described above and trades futures contracts to adhere to that benchmark and to adjust for the creation or redemption of shares.

Interest income and other income for three-month period ended June 30, 2016 and 2015, respectively, was $37,943 and $7,736. For the six-month period, these amounts were $70,563 and $8,746. This increase year-over-year was the result of the Sponsor investing a portion of the available cash for the Fund in alternative demand-deposit savings accounts. This change was effective beginning in the second quarter of 2015. These accounts had higher overnight deposit rates than were available in money market products that had been utilized solely in the past. In addition, effective in mid-December 2015, interest rates paid on cash balances of the Fund increased again in light of the increases in the Federal Fund s rate. These higher levels of interest rates are expected to continue in 2016, absent any decreases in the Federal Funds rate.

Total expenses gross of expenses waived by the Sponsor (Total expenses) for the three-month period ended June 30, 2016 were $309,403; expenses for the same period in 2015 were $253,786. This represents a $55,617 or 22% increase for 2016 over 2015. This increase was driven principally by a higher level of average net assets relative to the other Funds. More specifically, there was a $10,400 or 17% increase in the management fee paid to the Sponsor as a result of higher average net assets, a $13,850 or 37% increase in professional fees related to auditing, legal and tax preparation fees, a $54,826 or 70% increase in distribution and marketing expenses, a $4,816 or 42% increase in general and administrative expenses, a $4,115 or 134% increase in brokerage commissions due to a higher number of contracts held, and a $5,666 or 320% increase in other expenses. These increases were offset by decreases in custodian fees and expenses of ($29,241) or 61%, and an ($8,815) or 67% decrease in business permits and licenses. The total expense ratio gross of expenses waived by the Sponsor for the three-month period for these years was 4.30% in 2016 and 4.10% in 2015. The management fee is calculated at an annual rate of 1% of the Fund s daily average net assets.

Total expenses gross of expenses waived by the Sponsor (Total expenses) for the six-month period ended June 30, 2016 were $575,153; expenses for the same period in 2015 were $440,499. This represents a $134,654 or 31% increase for 2016 over 2015. This increase was driven principally by a higher level of average net assets relative to

the other Funds. More specifically, there was a $22,467 or 20% increase in the management fee paid to the Sponsor as a result of higher average net assets, a $137,444 or 125% increase in distribution and marketing expenses, a $6,705 or 25% increase in general and administrative expenses, a $7,997 or 148% increase in brokerage commissions due to a higher number of contracts held, and a $7,167 or 114% increase in other expenses. These increases were offset by decreases in custodian fees and expenses of ($23,547) or 41%, a ($17,820) or 16% decrease in professional fees related to auditing, legal and tax preparation fees, and a ($5,759) or 42% decrease in business permits and licenses. The total expense ratio gross of expenses waived by the Sponsor for the six-month period for these years was 4.29% in 2016 and 3.93% in 2015. The management fee is calculated at an annual rate of 1% of the Fund s daily average net assets.

The Sponsor has the ability to elect to pay certain expenses on behalf of the Fund or waive the management fee. This election is subject to change by the Sponsor, at its discretion. For the three-month periods ended June 30, 2016 and 2015, the Sponsor waived fees of $0 and $17,000, respectively. For the six-month periods ended June 30, 2016 and 2015, the Sponsor waived fees of $0 and $31,300, respectively.

Total expenses net of expenses waived by the Sponsor (Total expenses, net) for the three-month period ended June 30, 2016 and 2015 were $309,403 and $236,786 respectively. The total expense ratio net of expenses waived by the Sponsor for these three-month periods was 4.30% in 2016 and 3.82% in 2015.

Total expenses net of expenses waived by the Sponsor (Total expenses, net) for the six-month period ended June 30, 2016 and 2015 were $575,153 and $409,199 respectively. The total expense ratio net of expenses waived by the Sponsor for these six-month periods was 4.29% in 2016 and 3.65% in 2015.

Other than the management fee to the Sponsor and the brokerage commissions, most of the expenses incurred by the Fund are associated with the day-to-day operation of the Fund and the necessary functions related to regulatory compliance. These are generally based on contracts, which extend for some period of time and up to one year, or commitments regardless of the level of assets under management. The structure of the Fund and the nature of the expenses are such that as total net assets grow, there is a scalability of expenses that may allow the total expense ratio to be reduced. However, if total net assets for the Fund fall, the total expense ratio of the Fund will increase unless additional reductions are made by the Sponsor to the daily expense accrual. The Sponsor can elect to adjust the daily expense accruals at its discretion based on market conditions and other Fund considerations.

The seasonality patterns for wheat futures prices are impacted by a variety of factors. These include, but are not limited to, the harvest in the fall, the planting conditions in the spring, and the weather throughout the critical germination and growing periods. Prices for wheat futures are affected by the availability and demand for substitute agricultural commodities, including corn and soybeans. The price of wheat futures contracts is also influenced by global economic conditions, including the demand for exports to other countries. Such factors will impact the performance of the Fund and the results of operations on an ongoing basis. The Sponsor cannot predict the impact of such factors.

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Teucrium Agricultural Fund

The Teucrium Agricultural Fund commenced operation on March 28, 2012. On April 22, 2011, an initial registration statement was filed with the Securities and Exchange Commission (SEC). On February 10, 2012, the Fund s initial registration of 5,000,000 shares on Form S-1 was declared effective by the U.S. Securities and Exchange Commission (SEC). On March 28, 2012, the Fund listed its shares on the NYSE Arca under the ticker symbol TAGS. On the business day prior to that, the Fund issued 300,000 shares in exchange for $15,000,000 at the Fund s initial NAV of $50 per share. The Fund also commenced investment operations on March 28, 2012 by purchasing shares of the Underlying Funds. On December 31, 2011, the Fund had two shares outstanding, which were owned by the Sponsor.

The investment objective of the Fund is to have the daily changes in percentage terms of the Net Asset Value (NAV) of its common units (Shares) reflect the daily changes in percentage terms of a weighted average (the Underlying Fund Average) of the NAVs per share of four other commodity pools that are series of the Trust and are sponsored by the Sponsor: the Teucrium Corn Fund (CORN), the Teucrium Wheat Fund (WEAT), the Teucrium Soybean Fund (SOYB) and the Teucrium Sugar Fund (CANE) (collectively, the Underlying Funds). The Underlying Fund Average will have a weighting of 25% to each Underlying Fund, and the Fund s assets will be rebalanced, generally on a daily basis, to maintain the approximate 25% allocation to each Underlying Fund. The Fund does not intend to invest directly in futures contracts (Futures Contracts), although it reserves the right to do so in the future, including if an Underlying Fund ceases operations.

The investment objective of each Underlying Fund is to have the daily changes in percentage terms of its shares NAV reflect the daily changes in percentage terms of a weighted average of the closing settlement prices for certain Futures Contracts for the commodity specified in the Underlying Fund s name. (This weighted average is referred to herein as the Underlying Fund s Benchmark, the Futures Contracts that at any given time make up an Underlying Fund s Benchmark are referred to herein as the Underlying Fund s Benchmark Component Futures Contracts, and the commodity specified in the Underlying Fund s name is referred to herein as its Specified Commodity.) Specifically, the Teucrium Corn Fund s Benchmark is: (1) the second-to-expire Futures Contract for corn traded on the Chicago Board of Trade (CBOT), weighted 35%, (2) the third-to-expire CBOT corn Futures Contract, weighted 30%, and (3) the CBOT corn Futures Contract expiring in the December following the expiration month of the third-to-expire contract, weighted 35%. The Teucrium Wheat Fund s Benchmark is: (1) the second-to-expire CBOT wheat Futures Contract, weighted 35%, (2) the third-to-expire CBOT wheat Futures Contract, weighted 30%, and (3) the CBOT wheat Futures Contract expiring in the December following the expiration month of the third-to-expire contract, weighted 35%. The Teucrium Soybean Fund s Benchmark is: (1) the second-to-expire CBOT soybean Futures Contract, weighted 35%, (2) the third-to-expire CBOT soybean Futures Contract, weighted 30%, and (3) the CBOT soybean Futures Contract expiring in the November following the expiration month of the third-to-expire contract, weighted 35%, except that CBOT soybean Futures Contracts expiring in August and September will not be part of the Teucrium Soybean Fund s Benchmark because of the less liquid market for these Futures Contracts. The Teucrium Sugar Fund s Benchmark is: (1) the second-to-expire Sugar No. 11 Futures Contract traded on ICE Futures US (ICE Futures), weighted 35%, (2) the third-to-expire ICE Futures Sugar No. 11 Futures Contract, weighted 30%, and (3) the ICE Futures Sugar No. 11 Futures Contract expiring in the March following the expiration month of the third-to-expire contract, weighted 35%.

On June 30, 2016, the Fund had 50,002 shares outstanding and net assets of $1,440,156. This is in comparison to 50,002 shares outstanding and net assets of $1,543,193 on June 30, 2015 and 50,002 shares outstanding with net assets of $1,337,005 on March 31, 2016. Shares outstanding were constant in all periods.

Total net assets for the Fund were $1,440,156 on June 30, 2016 compared to $1,543,193 on June 30, 2015 and $1,337,005 on March 31, 2016. The Net Asset Values (NAV) per share related to these balances were $28.80, $30.86 and $26.74 respectively. This represents a decrease in total net assets for the year over year of 7% which was driven by a change in the NAV per share which decreased by $2.06 or 7%. When comparing June 30, 2016 with March 31, 2016, there was an increase in total net assets of 8%, driven by an increase in the NAV per share of $2.06 or 8%. The closing prices per share for June 30, 2016 and 2015 and March 31, 2016, as reported by the NYSE Arca, were $28.55, $30.88 and $26.50, respectively. The change from June 30, 2016 over the same period last year was an 8% decrease, and an 8% increase from March 31, 2016.

The graph below shows the actual shares outstanding, total net assets (or AUM) and net asset value per share (NAV per share) for the Fund from inception to June 30, 2016 and serves to illustrate the relative changes of these components.

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Total income for the three-month period ended June 30, 2016 was $104,911 resulting from the realized loss on the securities of the Underlying Funds totaling ($26,170) and a gain generated by the unrealized appreciation on the securities of the Underlying Funds of $131,077. Total income for the same three-month period in 2015 was $78,385. Total income for the six-month period ended June 30, 2016 was $114,160 resulting from the realized loss on the securities of the Underlying Funds totaling ($41,558) and a gain generated by the unrealized appreciation on the securities of the Underlying Funds of $155,712. Total loss for the same six-month period in 2015 was ($105,835). Realized gain or loss on the securities of the Underlying Funds is a function of: 1) the change in the price of particular contracts sold in relation to redemption of shares, and 2) the gain or loss associated with rebalancing trades which are made to ensure conformance to the benchmark. Unrealized gain or loss on the securities of the Underlying Funds is a function of the change in the price of shares held on the final date of the period versus the purchase price for each and the number held. The Sponsor has a static benchmark as described above and trades futures contracts to adhere to that benchmark and to adjust for the creation or redemption of shares.

Total expenses gross of expenses waived by the Sponsor (Total expenses) for the three-month period ended June 30, 2016 were $6,573; expenses for the same period in 2015 were $59,576. This represents a ($53,003) or 89% decrease for 2016 over 2015. The decrease was driven by reductions in all expense categories, except brokerage expenses, and was driven by lower average net assets relative to the other funds and a ($41,828) or 99% decrease in custodian fees and expenses. The total expense ratio gross of expenses waived by the Sponsor for the three-month period for these years was 1.87% in 2016 and 16.59% in 2015.

Total expenses gross of expenses waived by the Sponsor (Total expenses) for the six-month period ended June 30, 2016 were $28,564; expenses for the same period in 2015 were $82,191. This represents a ($53,627) or 65% decrease for 2016 over 2015. The decrease was driven by reductions in all expense categories, except brokerage expenses, and was driven by lower average net assets relative to the other funds and a ($41,663) decrease in custodian fees and expenses. The total expense ratio gross of expenses waived by the Sponsor for the six-month period for these years was 4.21% in 2016 and 11.05% in 2015.

The Sponsor has the ability to elect to pay certain expenses on behalf of the Fund or waive the management fee. This election is subject to change by the Sponsor, at its discretion. For the three-month periods ended June 30, 2016 and 2015, the Sponsor waived fees of $4,813 and $57,780, respectively. For the six-month periods ended June 30, 2016 and 2015, the Sponsor waived fees of $25,170 and $78,470, respectively.

Total expenses net of expenses waived by the Sponsor (Total expenses, net) for the three-month period ended June 30, 2016 and 2015 were $1,760 and $1,796 respectively. The total expense ratio net of expenses waived by the Sponsor for these three-month periods was 0.50% in 2016 and 0.50% in 2015.

Total expenses net of expenses waived by the Sponsor (Total expenses, net) for the six-month period ended June 30, 2016 and 2015 were $3,394 and $3,721 respectively. The total expense ratio net of expenses waived by the Sponsor for these three-month periods was 0.50% in 2016 and 0.50% in 2015.

Most of the expenses incurred by the Fund are associated with the day-to-day operation of the Fund and the necessary functions related to regulatory compliance. These are generally based on contracts, which extend for some period of time and up to one year, or commitments regardless of the level of assets under management. The structure of the Fund and the nature of the expenses are such that as total net assets grow, there is a scalability of expenses that may allow the total expense ratio to be reduced. However, if total net assets for the Fund fall, the total expense ratio of the Fund will increase unless additional reductions are made by the Sponsor to the daily expense accrual. The Sponsor can elect to adjust the daily expense accruals at its discretion based on market conditions and other Fund considerations.

Market Outlook

The Corn Market

Corn is currently the most widely produced livestock feed grain in the United States, and the majority of the United States corn crop is used in livestock feed, with the amount used in ethanol production second. Corn is also processed into food and industrial products, including starch, sweeteners, corn oil, beverages and industrial alcohol. The United States Department of Agriculture (USDA) publishes weekly, monthly, quarterly and annual updates for U.S. domestic and worldwide corn production and consumption, and for other grains such as soybeans and wheat which can be used in some cases as a substitute for corn. These reports are available on the USDA s website, www.usda.gov, at no charge.

The United States is the world s leading producer and exporter of corn. For the Crop Year 2016-17, the United States Department of Agriculture (USDA) estimates that the U.S. will produce approximately 36% of all the corn globally, of which about 13% will be exported. For 2016-2017, global consumption of 1,009.3 Million Metric Tons (MMT) is expected to be roughly equal to global production of 1,010.7 MMT. If the global supply of corn exceeds global demand, this may have an adverse impact on the price of corn. Besides the United States, other principal world corn exporters include Argentina, Brazil and the former Soviet Union nations known as the FSU-12 which includes the Ukraine. Major importer nations include Mexico, Japan, the European Union (EU), South Korea, Egypt and parts of Southeast Asia. China s estimated production for 2016-17 at 218.0 MMT is just slightly under its domestic usage of 226.0 MMT.

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According to the USDA, global corn consumption has increased almost 400% from 1960-2015 as demonstrated by the graph below, and is projected to continue to grow in upcoming years. Consumption growth is the result of a combination of many factors including: 1) global population growth, which is estimated to increase by approximately 78 million people in the 2015-16 timeframe and reach over 10 billion by 2100; 2) a growing global middle class which is increasing the demand for protein and meat-based products globally and most significantly in developing countries; and 3) increased use of bio-fuels, including ethanol in the United States. Based on current USDA estimates, for each person added to the population, there needs to be an additional 5.3 bushels of corn, 1.6 bushels of soybeans and 3.6 bushels of wheat produced.

While global consumption of corn has increased over the 1960-2015 period, so has production, driven by increases in acres planted and yield per acre. However, according to the USDA and United Nations, future growth in planted acres and yield may be inhibited by lower-productive land, and lack of infrastructure and transportation. In addition, agricultural crops such as corn are highly weather-dependent for yield and therefore susceptible to changing weather patterns. In addition, given the current production/consumption patterns, nearly 100% of all corn produced globally is consumed which leaves minimal excess inventory if production issues arise.

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On July 12, 2016, the USDA released its monthly World Agricultural Supply and Demand Estimates (WASDE) for the Crop Year 2016-17. The exhibit below provides a summary of historical and current information for United States corn production.

U.S. Corn Supply/Demand Balance

Marketing Year September - August

Million Bushels

Crop Year	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15
Planted Acres	78.3	93.5	86.0	86.4	88.2	91.9	97.3	95.4	90.6
Harvested Acres	70.6	86.5	78.6	79.5	81.4	84.0	87.4	87.5	83.1
Difference	7.7	7.0	7.4	6.9	6.8	7.9	9.9	7.9	7.5
Yield	149.1	150.7	153.9	164.7	152.8	147.2	123.1	158.1	171.0
Beginning Stocks	1,967	1,304	1,624	1,673	1,708	1,128	989	821	1,232
Production	10,531	13,038	12,092	13,092	12,447	12,360	10,755	13,829	14,216
Imports	12	20	14	8	28	29	160	36	32
Total Supply	12,510	14,362	13,730	14,774	14,182	13,516	11,904	14,686	15,479
Feed	5,540	5,858	5,205	5,125	4,793	4,545	4,315	5,040	5,316
Food/Seed/Industrial	3,541	4,442	4,993	5,961	6,428	6,439	6,038	6,493	6,567
Ethanol for Fuel(incld above)	2,119	3,049	3,677	4,591	5,021	5,011	4,641	5,124	5,200
Exports	2,125	2,437	1,858	1,980	1,834	1,543	730	1,920	1,864
Total Usage	11,206	12,737	12,056	13,066	13,055	12,527	11,083	13,454	13,748
Ending Stocks (Inventory)	1,304	1,624	1,673	1,708	1,128	989	821	1,232	1,731

Stocks/Use Ratio	12%	13%	14%	13%	9%	8%	7%	9%	13%
farm Price ($/bushel)	$ 3.04	$ 4.20	$ 4.06	$ 3.55	$ 5.18	$ 6.22	$ 6.89	$ 4.46	$ 3.70
Calculations:									
Demand per day (incld expt)[1]	30.7	34.9	33.0	35.8	35.8	34.3	30.4	36.9	37.7
Carry-out days supply	42.5	46.5	50.7	47.7	31.5	28.8	27.0	33.4	46.0

[1] in millions of bushels per day

Yield: Yield per acre; how many bushels can be produced from an acre of land.

Beginning Stocks (also called carry-in): The amount of corn that will be or is available at the beginning of the crop year from the previous year s harvest.

Ending Stocks (also called carry-out): The amount of corn that will be available at the end of the crop year, given the estimated or actual beginning stocks, production and usage.

Stocks/Use Ratio: Ending stocks divided by total usage.

Demand per Day: Total demand, also known as usage, including exports, divided by three hundred sixty-five days.

Carry-out day s supply: Ending stocks divided by demand per day.

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Standard Corn Futures Contracts trade on the CBOT in units of 5,000 bushels, although 1,000 bushel mini-corn Corn Futures Contracts also trade. Three grades of corn are deliverable under CBOT Corn Futures Contracts: Number 1 yellow, which may be delivered at 1.5 cents over the contract price; Number 2 yellow, which may be delivered at the contract price; and Number 3 yellow, which may be delivered at 1.5 cents under the contract price. There are five months each year in which CBOT Corn Futures Contracts expire: March, May, July, September and December.

If the futures market is in a state of backwardation (i.e., when the price of corn in the future is expected to be less than the current price), the Fund will buy later-to-expire contracts for a lower price than the sooner-to-expire contracts that it sells. Hypothetically, and assuming no changes to either prevailing corn prices or the price relationship between immediate delivery, soon-to-expire contracts and later-to-expire contracts, the value of a contract will rise as it approaches expiration. Over time, if backwardation remained constant, the differences would continue to increase. If the futures market is in contango, the Fund will buy later-to-expire contracts for a higher price than the sooner-to-expire contracts that it sells. Hypothetically, and assuming no other changes to either prevailing corn prices or the price relationship between the spot price, soon-to-expire contracts and later-to-expire contracts, the value of a contract will fall as it approaches expiration. Over time, if contango remained constant, the difference would continue to increase. Historically, the corn futures markets have experienced periods of both contango and backwardation. Frequently, whether contango or backwardation exists is a function, among other factors, of the seasonality of the corn market and the corn harvest cycle.

The Soybean Market

Global soybean production is concentrated in the U.S., Brazil, Argentina and China. The United States Department of Agriculture (USDA) has estimated that, for the Crop Year 2016-17, the United States will produce approximately 105.6 MMT of soybeans or approximately 33% of estimated world production, with Brazil production at 103 MMT. Argentina is projected to produce about 57 MMT. For 2016-17, consumption of 328.8 MMT is expected to exceed slightly global production of 326.0 MMT. If the global supply of soybeans exceeds global demand, this may have an adverse impact on the price of soybeans. The USDA publishes weekly, monthly, quarterly and annual updates for U.S. domestic and worldwide soybean production and consumption. These reports are available on the USDA s website, www.usda.gov, at no charge.

The soybean processing industry converts soybeans into soybean meal, soybean hulls, and soybean oil. Soybean meal and soybean hulls are processed into soy flour or soy protein, which are used, along with other commodities, by livestock producers and the farm fishing industry as feed. Soybean oil is sold in multiple grades and is used by the food, petroleum and chemical industries. The food industry uses soybean oil in cooking and salad dressings, baking and frying fats, and butter substitutes, among other uses. In addition, the soybean industry continues to introduce soy-based products as substitutes to various petroleum-based products including lubricants, plastics, ink, crayons and candles. Soybean oil is also converted to biodiesel for use as fuel.

Standard Soybean Futures Contracts trade on the CBOT in units of 5,000 bushels, although 1,000 bushel mini-sized Soybean Futures Contracts also trade. Three grades of soybean are deliverable under CBOT Soybean Futures Contracts: Number 1 yellow, which may be delivered at 6 cents per bushel over the contract price; Number 2 yellow, which may be delivered at the contract price; and Number 3 yellow, which may be delivered at 6 cents per bushel under the contract price. There are seven months each year in which CBOT Soybean Futures Contracts expire: January, March, May, July, August, September and November.

If the futures market is in a state of backwardation (i.e., when the price of soybeans in the future is expected to be less than the current price), the Fund will buy later-to-expire contracts for a lower price than the sooner-to-expire contracts

that it sells. Hypothetically, and assuming no changes to either prevailing soybean prices or the price relationship between immediate delivery, soon-to-expire contracts and later-to-expire contracts, the value of a contract will rise as it approaches expiration. If the futures market is in contango, the Fund will buy later-to-expire contracts for a higher price than the sooner-to-expire contracts that it sells. Hypothetically, and assuming no other changes to either prevailing soybean prices or the price relationship between the spot price, soon-to-expire contracts and later-to-expire contracts, the value of a contract will fall as it approaches expiration. Historically, the soybeans futures markets have experienced periods of both contango and backwardation. Frequently, whether contango or backwardation exists is a function, among other factors, of the seasonality of the soybean market and the soybean harvest cycle. All other things being equal, a situation involving prolonged periods of contago may adversely impact the returns of the Funds; conversely a situation involving prolonged periods of backwardation may positively impact the returns of the Funds.

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On July 12, 2016, the USDA released its monthly World Agricultural Supply and Demand Estimates (WASDE) for the Crop Year 2016-17. The exhibit below provides a summary of historical and current information for United States soybean production.

U.S. Soybean Supply/Demand Balance

Marketing Year September - August

Million Bushels

										July 12 Est. USDA	June 10 USDA
Crop Year	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17
Planted Acres	75.5	64.7	75.7	77.5	77.4	75.0	77.2	76.8	83.3	82.7	
Harvested Acres	74.6	64.1	74.7	76.4	76.6	73.8	76.1	76.3	82.6	81.8	
Difference	0.9	0.6	1.0	1.1	0.8	1.2	1.0	0.5	0.7	0.9	
Yield	42.9	41.7	39.7	44.0	43.5	41.9	40.0	44.0	47.5	48.0	
Beginning Stocks	449	574	205	138	151	215	169	141	92	191	370
Production	3,197	2,677	2,967	3,359	3,329	3,094	3,042	3,358	3,927	3,929	3,800
Imports	9	10	13	15	14	16	41	72	33	25	30
Total Supply	3,655	3,261	3,185	3,512	3,495	3,325	3,252	3,570	4,052	4,145	4,200
Crushings	1,808	1,801	1,662	1,752	1,648	1,703	1,689	1,734	1,873	1,890	1,915
Seed, Feed and Residual	157	93	106	110	131	89	105	107	145	109	125
Exports	1,116	1,162	1,279	1,499	1,501	1,365	1,317	1,638	1,843	1,795	1,900
Total Usage	3,081	3,056	3,047	3,361	3,280	3,155	3,111	3,478	3,862	3,794	3,940
Ending Stocks (Inventory)	574	205	138	151	215	169	141	92	191	350	260

Stocks/Use Ratio	18.6%	6.7%	4.5%	4.5%	6.6%	5.4%	4.5%	2.6%	4.9%		9.2%
farm Price ($/bushel)	$ 6.43	$ 10.10	$ 9.97	$ 9.59	$ 11.30	$ 12.50	$ 14.40	$ 13.00	$ 10.10	$ 9.05	$8.75 - 10.25
Calculations:											
Demand per day (incld expt)[1]	8.4	8.4	8.3	9.2	9.0	8.6	8.5	9.5	10.6	10.4	10.8
Carry-out days supply [1] in millions of bushels per day	68.0	24.5	16.5	16.4	23.9	19.6	16.6	9.7	18.1	33.7	24.1

Yield: Yield per acre; how many bushels can be produced from an acre of land.

Beginning Stocks (also called carry-in): The amount of soybeans that will be or is available at the beginning of the crop year from the previous year s harvest.

Ending Stocks (also called carry-out): The amount of soybeans that will be available at the end of the crop year, given the estimated or actual beginning stocks, production and usage.

Stocks/Use Ratio: Ending stocks divided by total usage.

Demand per Day: Total demand, also known as usage, including exports, divided by three hundred sixty-five days.

Carry-out day s supply: Ending stocks divided by demand per day.

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The Sugar Market

Sugarcane accounts for about 75% of the world s sugar production, while sugar beets account for the remainder of the world s sugar production. Sugar manufacturers use sugar beets and sugarcane as the raw material from which refined sugar (sucrose) for industrial and consumer use is produced. Sugar is produced in various forms, including granulated, powdered, liquid, brown, and molasses. The food industry (in particular, producers of baked goods, beverages, cereal, confections, and dairy products) uses sugar and sugarcane molasses to make sugar-containing food products. Sugar beet pulp and molasses products are used as animal feed ingredients. Ethanol is an important by-product of sugarcane processing. Additionally, the material that is left over after sugarcane is processed is used to manufacture paper, cardboard, and environmentally friendly eating utensils.

The Sugar No. 11 Futures Contract is the world benchmark contract for raw sugar trading. This contract prices the physical delivery of raw cane sugar, delivered to the receiver s vessel at a specified port within the country of origin of the sugar. Sugar No. 11 Futures Contracts trade on the ICE Futures and the NYMEX in units of 112,000 pounds.

The United States Department of Agriculture (USDA) publishes two major reports annually on U.S. domestic and worldwide sugar production and consumption. These are usually released in November and May. In addition, the USDA publishes periodic, but not as comprehensive, reports on sugar monthly. All of these reports are available on the USDA s website, www.usda.gov, at no charge. The USDA s May 2016 report forecasts that Brazil, with 37.1 million metric tons, will continue to be the leading producer of sugarcane, producing approximately 22% of the world s supply, 164.9 million metric tons. Outpacing the other principal producers of sugarcane are India, Thailand and China. The principal world producers of sugar beets, as forecasted by the USDA for 2016, include the European Union, the United States and Russia. The USDA s May 2016 report estimates that global consumption of sugar will outpace production in 2016-17; with consumption at a record 174 million metric tons, reducing ending stocks to historic lows. If the global supply of sugar exceeds global demand, this may have an adverse impact on the price of sugar.

If the futures market is in a state of backwardation (i.e., when the price of sugar in the future is expected to be less than the current price), the Fund will buy later-to-expire contracts for a lower price than the sooner-to-expire contracts that it sells. Hypothetically, and assuming no changes to either prevailing sugar prices or the price relationship between immediate delivery, soon-to-expire contracts and later-to-expire contracts, the value of a contract will rise as it approaches expiration. If the futures market is in contango, the Fund will buy later-to-expire contracts for a higher price than the sooner-to-expire contracts that it sells. Hypothetically, and assuming no other changes to either prevailing sugar prices or the price relationship between the spot price, soon-to-expire contracts and later-to-expire contracts, the value of a contract will fall as it approaches expiration. Historically, the sugar futures markets have experienced periods of both contango and backwardation. Frequently, whether contango or backwardation exists is a function, among other factors, of the seasonality of the sugar market and the sugar harvest cycle. All other things being equal, a situation involving prolonged periods of contago may adversely impact the returns of the Funds; conversely a situation involving prolonged periods of backwardation may positively impact the returns of the Funds.

The Wheat Market

Wheat is used to produce flour, the key ingredient for breads, pasta, crackers and many other food products, as well as several industrial products such as starches and adhesives. Wheat by-products are used in livestock feeds. Wheat is the principal food grain produced in the United States, and the United States output of wheat is typically exceeded only by that of China, the European Union, the former Soviet nations, known as the FSU-12, including the Ukraine, and India. The United States Department of Agriculture (USDA) estimates that for 2016-17, the principal global producers of wheat will be the EU, the former Soviet nations known as the FSU-12, China, India, the United States,

Australia and Canada. The U.S. generates approximately 8% of the global production, with just over one-third of that being exported. For 2016-17, global consumption of 729.3 MMT is estimated to be surpassed by production of 738.5 MMT. If the global supply of wheat exceeds global demand, this may have an adverse impact on the price of wheat. The USDA publishes weekly, monthly, quarterly and annual updates for U.S. domestic and worldwide wheat production and consumption. These reports are available on the USDA s website, www.usda.gov, at no charge.

There are several types of wheat grown in the U.S., which are classified in terms of color, hardness, and growing season. CBOT Wheat Futures Contracts call for delivery of #2 soft red winter wheat, which is generally grown in the eastern third of the United States, but other types and grades of wheat may also be delivered (Grade #1 soft red winter wheat, Hard Red Winter, Dark Northern Spring and Northern Spring wheat may be delivered at 3 cents premium per bushel over the contract price and #2 soft red winter wheat, Hard Red Winter, Dark Northern Spring and Northern Spring wheat may be delivered at the contract price.) Winter wheat is planted in the fall and is harvested in the late spring or early summer of the following year, while spring wheat is planted in the spring and harvested in late summer or fall of the same year.

Standard Wheat Futures Contracts trade on the CBOT in units of 5,000 bushels, although 1,000 bushel mini-wheat Wheat Futures Contracts also trade. There are five months each year in which CBOT Wheat Futures Contracts expire: March, May, July, September and December.

If the futures market is in a state of backwardation (i.e., when the price of wheat in the future is expected to be less than the current price), the Fund will buy later-to-expire contracts for a lower price than the sooner-to-expire contracts that it sells. Hypothetically, and assuming no changes to either prevailing wheat prices or the price relationship between immediate delivery, soon-to-expire contracts and later-to-expire contracts, the value of a contract will rise as it approaches expiration. If the futures market is in contango, the Fund will buy later-to-expire contracts for a higher price than the sooner-to-expire contracts that it sells. Hypothetically, and assuming no other changes to either prevailing wheat prices or the price relationship between the spot price, soon-to-expire contracts and later-to-expire contracts, the value of a contract will fall as it approaches expiration. Historically, the wheat futures markets have experienced periods of both contango and backwardation. Frequently, whether contango or backwardation exists is a function, among other factors, of the seasonality of the wheat market and the wheat harvest cycle.

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On July 12, 2016, the USDA released its monthly World Agricultural Supply and Demand Estimates (WASDE) for the Crop Year 2016-17. The exhibit below provides a summary of historical and current information for United States wheat production.

U.S. Wheat Supply/Demand Balance

Marketing Year June - May

Million Bushels

										July 12 Est.	June 10 Proj.	July
										USDA	USDA	USI
Crop Year	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17	16-
Planted Acres	57.3	60.5	63.2	59.2	53.6	54.4	55.3	56.2	56.8	54.6	49.6	
Harvested Acres	46.8	51.0	55.7	49.9	47.6	45.7	48.8	45.3	46.4	47.1	42.8	
Difference	10.5	9.5	7.5	9.3	6.0	8.7	6.5	10.9	10.4	7.5	6.8	
Yield	38.6	40.2	44.9	44.5	46.3	43.7	46.2	47.1	43.7	43.6	48.6	
Beginning Stocks	571	456	306	657	976	862	743	718	590	752	980	981
Production	1,808	2,051	2,499	2,218	2,207	1,999	2,252	2,135	2,026	2,052	2,077	2,26
Imports	122	113	127	119	97	112	123	173	149	115	125	120
Total Supply	2,501	2,620	2,932	2,993	3,279	2,974	3,118	3,026	2,766	2,919	3,182	3,36
Food	938	948	927	919	926	941	951	955	958	960	963	963
Seed	82	88	78	69	71	76	73	77	79	68	69	69
Feed and residual	117	16	255	150	132	164	364	228	122	132	200	300
Exports	908	1,263	1,015	879	1,289	1,050	1,012	1,176	854	777	900	925
Total Usage	2,045	2,315	2,275	2,018	2,417	2,231	2,400	2,436	2,014	1,937	2,132	2,25
Ending Stocks (Inventory)	456	305	657	976	862	743	718	590	752	981	1,050	1,10

Stocks/Use Ratio	22.3%	13.2%	28.9%	48.4%	35.7%	33.3%	29.7%	24.2%	37.3%	50.6%	49.2%	49.0
farm Price ($/bushel)	$ 4.26	$ 6.48	$ 6.78	$ 4.87	$ 5.70	$ 7.24	$ 7.77	$ 6.87	$ 5.99	$ 4.89	$3.60 - 4.40	$3. 4.20
Calculations:												
Demand per day (incld expt)[1]	5.6	6.3	6.2	5.5	6.6	6.1	6.6	6.7	5.5	5.3	5.8	6.2
Carry-out days supply [1] in millions of bushels per day	81.4	48.1	105.4	176.5	130.2	121.6	108.6	88.4	136.3	184.9	179.8	178

Yield: Yield per acre; how many bushels can be produced from an acre of land.

Beginning Stocks (also called carry-in): The amount of wheat that will be or is available at the beginning of the crop year from the previous year s harvest.

Ending Stocks (also called carry-out): The amount of wheat that will be available at the end of the crop year, given the estimated or actual beginning stocks, production and usage.

Stocks/Use Ratio: Ending stocks divided by total usage.

Demand per Day: Total demand, also known as usage, including exports, divided by three hundred sixty-five days.

Carry-out day s supply: Ending stocks divided by demand per day.

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Calculating NAV

The Fund s NAV is calculated by:

- Taking the current market value of its total assets and
- Subtracting any liabilities.

The Administrator calculates the NAV of each Fund once each trading day. It calculates NAV as of the earlier of the close of the New York Stock Exchange or 4:00 p.m., New York time. The NAV for a particular trading day will be released after 4:15 p.m., New York time.

In determining the value of the Futures Contracts for each Fund, the Administrator uses the closing price on the exchange on which the commodity is traded, commonly referred to as the settlement price. The time of settlement for each exchange is determined by that exchange and may change from time to time. The current settlement time for each exchange can be found at the appropriate website which are:

1) for the CBOT (CORN, SOYB and WEAT) http://www.cmegroup.com/trading_hours/commodities-hours.html;
2) for ICE (CANE) http://www.theice.com/productguide/Search.shtml?tradingHours=.

The Administrator determines the value of all other investments for each Fund as of the earlier of the close of the New York Stock Exchange or 4:00 p.m., New York time, in accordance with the current Services Agreement between the Administrator and the Trust.

The value of over-the-counter Interests will be determined based on the value of the commodity or Futures Contract underlying such Interest, except that a fair value may be determined if the Sponsor believes that a Fund is subject to significant credit risk relating to the counterparty to such Interest. For purposes of financial statements and reports, the Sponsor will recalculate the NAV of a specific Fund where necessary to reflect the fair value of a Futures Contract when the Futures Contract of such Fund closes at its price fluctuation limit for the day. Treasury Securities held by the Fund are valued by the Administrator using values received from recognized third-party vendors (such as Reuters) and dealer quotes. The NAV includes any unrealized profit or loss on open Interests and any other credit or debit accruing to each Fund but unpaid or not received by the Fund.

In addition, in order to provide updated information relating to the Funds for use by investors and market professionals, the NYSE Arca calculates and disseminates throughout the trading day an updated indicative fund value for each Fund. The indicative fund value is calculated by using the prior day s closing NAV per share of the Fund as a base and updating that value throughout the trading day to reflect changes in the value of the Fund s commodity Interests during the trading day. Changes in the value of Treasury Securities and cash equivalents will not be included in the calculation of indicative value. For this and other reasons, the indicative fund value disseminated during NYSE Arca trading hours should not be viewed as an actual real time update of the NAV for each Fund. The NAV is calculated only once at the end of each trading day.

The indicative fund value is disseminated on a per share basis every 15 seconds during regular NYSE Arca trading hours of 9:30 a.m., New York time, to 4:00 p.m., New York time. The CBOT and the ICE are generally open for trading only during specified hours which vary by exchange and may be adjusted by the exchange. However, the futures markets on these exchanges do not currently operate twenty-four hours per day. In addition, there may be some trading hours which may be limited to electronic trading only. This means that there is a gap in time at the beginning

and the end of each day during which the Fund s Shares are traded on the NYSE Arca, when, for example, real-time CBOT trading prices for Corn Futures Contracts traded on such Exchange are not available. As a result, during those gaps there will be no update to the indicative fund values. The most current trading hours for each exchange may be found on the website of that exchange as listed above.

The NYSE Arca disseminates the indicative fund value through the facilities of CTA/CQ High Speed Lines. In addition, the indicative fund value is published on the NYSE Arca s website and is available through on-line information services such as Bloomberg and Reuters.

Dissemination of the indicative fund values provides additional information that is not otherwise available to the public and is useful to investors and market professionals in connection with the trading of Shares of the Funds on the NYSE Arca. Investors and market professionals are able throughout the trading day to compare the market price of each Fund and its indicative fund value. If the market price of the Shares of a Fund diverges significantly from the indicative fund value, market professionals may have an incentive to execute arbitrage trades. For example, if the Fund appears to be trading at a discount compared to the indicative fund value, a market professional could buy Fund Shares on the NYSE Arca, aggregate them into Redemption Baskets, and receive the NAV of such Shares by redeeming them to the Trust, provided that there is not a minimum number of shares outstanding for the Fund. Such arbitrage trades can tighten the tracking between the market price of the Fund and the indicative fund value.

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Critical Accounting Policies

The Trust s critical accounting policies for all the Funds are as follows:

1. Preparation of the financial statements and related disclosures in conformity with U.S. generally-accepted accounting principles (GAAP) requires the application of appropriate accounting rules and guidance, as well as the use of estimates, and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expense and related disclosure of contingent assets and liabilities during the reporting period of the combined financial statements and accompanying notes. The Trust s application of these policies involves judgments and actual results may differ from the estimates used.

2. The Sponsor has determined that the valuation of Commodity Interests that are not traded on a U.S. or internationally recognized futures exchange (such as swaps and other over-the-counter contracts) involves a critical accounting policy. The values which are used by the Funds for futures contracts will be provided by the commodity broker who will use market prices when available, while over-the-counter contracts will be valued based on the present value of estimated future cash flows that would be received from or paid to a third party in settlement of these derivative contracts prior to their delivery date. Values will be determined on a daily basis.

3. Commodity futures contracts held by the Funds are recorded on the trade date. All such transactions are recorded on the identified cost basis and marked to market daily. Unrealized appreciation or depreciation on commodity futures contracts are reflected in the statement of operations as the difference between the original contract amount and the fair market value as of the last business day of the year or as of the last date of the financial statements. Changes in the appreciation or depreciation between periods are reflected in the statement of operations. Interest on cash equivalents and deposits with the Futures Commission Merchant are recognized on the accrual basis. The Funds earn interest on its assets denominated in U.S. dollars on deposit with the Futures Commission Merchant at a rate equal to 85% of the overnight of Federal Funds Rate. In addition, the Funds earn interest on funds held at the custodian at prevailing market rates for such investments.

4. Cash and cash equivalents are cash held at financial institutions in demand-deposit accounts or highly-liquid investments with original maturity dates of three months or less at inception. The Funds reported cash equivalents in the statements of assets and liabilities at market value, or at carrying amounts that approximate fair value, because of their highly-liquid nature and short-term maturities. The Funds have a substantial portion of its assets on deposit with banks. Assets deposited with financial institutions may, at times, exceed federally insured limits.

5. The use of fair value to measure financial instruments, with related unrealized gains or losses recognized in earnings in each period is fundamental to the Trust s financial statements. In accordance with GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Trust uses various valuation approaches. In accordance with GAAP, a fair value

hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Trust. Unobservable inputs reflect the Trust s assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels: a) Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Trust has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities and financial instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities and financial instruments does not entail a significant degree of judgment, b) Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, and c) Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. See the notes within the financial statements for further information.

The Funds and the Trust record their derivative activities at fair value. Gains and losses from derivative contracts are included in the statement of operations. Derivative contracts include futures contracts related to commodity prices. Futures, which are listed on a national securities exchange, such as the CBOT or the New York Mercantile Exchange (NYMEX), or reported on another national market, are generally categorized in Level 1 of the fair value hierarchy. OTC derivatives contracts (such as forward and swap contracts) which may be valued using models, depending on whether significant inputs are observable or unobservable, are categorized in Levels 2 or 3 of the fair value hierarchy.

6. Brokerage commissions on all open commodity futures contracts are accrued on a full-turn basis.

7. Margin is the minimum amount of funds that must be deposited by a commodity interest trader with the trader s broker to initiate and maintain an open position in futures contracts. A margin deposit acts to assure the trader s performance of the futures contracts purchased or sold. Futures contracts are customarily bought and sold on initial margin that represents a very small percentage of the aggregate purchase or sales price of the contract. Because of such low margin requirements, price fluctuations occurring in the futures markets may create profits and losses that, in relation to the amount invested, are greater than are customary in other forms of investment or speculation. As discussed below, adverse price changes in the futures contract may result in margin requirements that greatly exceed the initial margin. In addition, the amount of margin required in connection with a particular futures contract is set from time to time by the exchange on which the contract is traded and may be modified from time to time by the exchange during the term of the contract. Brokerage firms, such as the Funds clearing brokers, carrying accounts for traders in commodity interest contracts generally require higher amounts of margin as a matter of policy to further protect themselves. Over-the-counter trading generally involves the extension of credit between counterparties, so the counterparties may agree to require the posting of collateral by one or both parties to address credit exposure.

When a trader purchases an option, there is no margin requirement; however, the option premium must be paid in full. When a trader sells an option, on the other hand, he or she is required to deposit margin in an amount determined by the margin requirements established for the underlying interest and, in addition, an amount substantially equal to the current premium for the option. The margin requirements imposed on the selling of options, although adjusted to reflect the probability that out-of-the-money options will not be exercised, can in fact be higher than those imposed in dealing in the futures markets directly. Complicated margin requirements apply to spreads and conversions, which are complex trading strategies in which a trader acquires a mixture of options positions and positions in the underlying interest.

Ongoing or maintenance margin requirements are computed each day by a trader s clearing broker. When the market value of a particular open futures contract changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a margin call is made by the broker. If the margin call is not met within a reasonable time, the broker may close out the trader s position. With respect to the Funds trading, the Funds (and not its shareholders personally) are subject to margin calls.

Finally, many major U.S. exchanges have passed certain cross margining arrangements involving procedures pursuant to which the futures and options positions held in an account would, in the case of some accounts, be aggregated, and margin requirements would be assessed on a portfolio basis, measuring the total risk of the combined positions.

8. Due from/to broker for investments in financial instruments are securities transactions pending settlement. The Trust and TAGS are subject to credit risk to the extent any broker with whom it conducts business is unable to fulfill contractual obligations on its behalf. The management of the Trust and the Funds monitors the financial condition of such brokers and does not anticipate any losses from these counterparties. Since the inception of the Fund, the principal broker through which the Trust and TAGS clear securities transactions for TAGS is the Bank of New York Mellon Capital Markets.

9. The investment objective of TAGS is to have the daily changes in percentage terms of the Net Asset Value (NAV) of its common units (Shares) reflect the daily changes in percentage terms of a weighted average (the Underlying Fund Average) of the NAVs per share of four other commodity pools that are series of the Trust and are sponsored by the Sponsor: the Teucrium Corn Fund, the Teucrium Wheat Fund, the Teucrium Soybean Fund and the Teucrium Sugar Fund (collectively, the Underlying Funds). The Underlying Fund Average will have a weighting of 25% to each Underlying Fund, and the Fund s assets will be rebalanced, generally on a daily basis, to maintain the approximate 25% allocation to each Underlying Fund. As such, TAGS will buy, sell and hold as part of its normal operations shares of the four Underlying Funds. The Trust excludes the shares of the other series of the Trust owned by the Teucrium Agricultural Fund from its statements of assets and liabilities. The Trust excludes the net change in unrealized appreciation or depreciation on securities owned by the Teucrium Agricultural Fund from its statements of operations. Upon the sale of the Underlying Funds by the Teucrium Agricultural Fund, the Trust includes any realized gain or loss in its statements of changes in net assets.

10. For tax purposes, the Funds will be treated as partnerships. Therefore, the Funds do not record a provision for income taxes because the partners report their share of a Fund s income or loss on their income tax returns. The financial statements reflect the Funds transactions without adjustment, if any, required for income tax purposes.

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Credit Risk

When any of the Funds enter into Commodity Interests, it will be exposed to the credit risk that the counterparty will not be able to meet its obligations. For purposes of credit risk, the counterparty for the Futures Contracts traded on the CBOT, NYMEX, and ICE is the clearinghouse associated with those exchanges. In general, clearinghouses are backed by their members who may be required to share in the financial burden resulting from the nonperformance of one of their members, which should significantly reduce credit risk. Some foreign exchanges are not backed by their clearinghouse members but may be backed by a consortium of banks or other financial institutions. Unlike in the case of exchange-traded futures contracts, the counterparty to an over-the-counter Corn Interest contract is generally a single bank or other financial institution. As a result, there will be greater counterparty credit risk in over-the-counter transactions. There can be no assurance that any counterparty, clearinghouse, or their financial backers will satisfy their obligations to any of the Funds.

The Funds may engage in off exchange transactions broadly called an exchange for risk transaction, also referred to as an exchange for swap. For purposes of the Dodd-Frank Act and related CFTC rules, an exchange for risk transaction is treated as a swap. An exchange for risk transaction, sometimes referred to as an exchange for swap or exchange of futures for risk, is a privately negotiated and simultaneous exchange of a futures contract position for a swap or other over-the-counter instrument on the corresponding commodity. An exchange for risk transaction can be used by the Funds as a technique to avoid taking physical delivery of a commodity futures contract, corn for example, in that a counterparty will take the Fund s position in a Corn Futures Contract into its own account in exchange for a swap that does not by its terms call for physical delivery. The Funds will become subject to the credit risk of a counterparty when it acquires an over-the-counter position in an exchange for risk transaction. The Fund may use an exchange for risk transaction in connection with the creation and redemption of shares. These transactions must be carried out only in accordance with the rules of the applicable exchange where the futures contracts trade.

The Sponsor will attempt to manage the credit risk of each Fund by following certain trading limitations and policies. In particular, each Fund intends to post margin and collateral and/or hold liquid assets that will be equal to approximately the face amount of the Interests it holds. The Sponsor will implement procedures that will include, but will not be limited to, executing and clearing trades and entering into over-the-counter transactions only with parties it deems creditworthy and/or requiring the posting of collateral by such parties for the benefit of each Fund to limit its credit exposure.

The CEA requires all FCMs, such as the Funds clearing brokers, to meet and maintain specified fitness and financial requirements, to segregate customer funds from proprietary funds and account separately for all customers funds and positions, and to maintain specified books and records open to inspection by the staff of the CFTC. The CFTC has similar authority over introducing brokers, or persons who solicit or accept orders for commodity interest trades but who do not accept margin deposits for the execution of trades. The CEA authorizes the CFTC to regulate trading by FCMs and by their officers and directors, permits the CFTC to require action by exchanges in the event of market emergencies, and establishes an administrative procedure under which customers may institute complaints for damages arising from alleged violations of the CEA. The CEA also gives the states powers to enforce its provisions and the regulations of the CFTC.

On November 14, 2013, the CFTC published final regulations that require enhanced customer protections, risk management programs, internal monitoring and controls, capital and liquidity standards, customer disclosures and auditing and examination programs for FCMs. The rules are intended to afford greater assurances to market participants that customer segregated funds and secured amounts are protected, customers are provided with appropriate notice of the risks of futures trading and of the FCMs with which they may choose to do business, FCMs are monitoring and managing risks in a robust manner, the capital and liquidity of FCMs are strengthened to safeguard the continued operations and the auditing and examination programs of the CFTC and the self-regulatory organizations are monitoring the activities of FCMs in a thorough manner.

Effective February 6, 2015, the Sponsor transferred all futures contracts from Societe Generale to Jefferies LLC (Jefferies) and Jefferies served as the FCM for the Funds, as discussed in Part I of this filing. On April 9, 2015, Jefferies Group, LLC announced that it had entered into a definitive agreement to have Societe Generale SA acquire the assets of its futures unit, including its FCM operations. Effective June 3, 2015, ED&F Man Capital Markets Inc. (ED&F Man) replaced Jefferies as the Funds FCM and the clearing broker to execute and clear the Funds futures and provide other brokerage-related services.

Liquidity and Capital Resources

The Funds do not anticipate making use of borrowings or other lines of credit to meet their obligations. The Funds meet their liquidity needs in the normal course of business from the proceeds of the sale of their investments from the cash, cash equivalents and/or the Treasuries Securities that they intend to hold, and/or from the fee waivers provided by the Sponsor. The Funds liquidity needs include: redeeming their shares, providing margin deposits for existing Futures Contracts or the purchase of additional Futures Contracts, posting collateral for over-the-counter Commodity Interests, and paying expenses.

The Funds generate cash primarily from (i) the sale of Creation Baskets and (ii) interest earned on cash, cash equivalents and their investments in Treasuries Securities. Generally, all of the net assets of the Funds are allocated to trading in Commodity Interests. Most of the assets of the Funds are held in Treasury Securities, cash and/or cash equivalents that could or are used as margin or collateral for trading in Commodity Interests. The percentage that such assets bear to the total net assets will vary from period to period as the market values of the Commodity Interests change. Interest earned on interest-bearing assets of a Fund are paid to that Fund.

The investments of a Fund in Commodity Interests are subject to periods of illiquidity because of market conditions, regulatory considerations and other reasons. For example, U.S. futures exchanges limit the fluctuations in the prices of certain Futures Contracts during a single day by regulations referred to as daily limits. During a single day, no trades may be executed at prices beyond the daily limit. Once the price of such a Futures Contract has increased or decreased by an amount equal to the daily limit, positions in the contracts can neither be taken nor liquidated unless the traders are willing to effect trades at or within the limit. Such market conditions could prevent the Fund from promptly liquidating a position in Futures Contracts.

Beginning in the quarter-ended June 30, 2015, the Sponsor invested a portion of the available cash for the Funds in alternative demand-deposit savings accounts; effective August 20, 2015, the Sponsor has deposited cash in Rabobank, N.A., a U.S. chartered bank headquartered in Roseville, CA. These accounts have slightly higher overnight deposit rates than were available in the money market products at the Custodians that had been utilized solely in the past.

On August 17, 2015 (the Conversion Date), U.S. Bank N.A. replaced The Bank of New York Mellon as the Custodian for the Funds. Per the amended agreement between the Sponsor and The Bank of New York Mellon dated August 14, 2015, certain cash amounts for each Fund, except in the case of TAGS, are to remain at The Bank of New York Mellon until amounts for services and early termination fees are paid. The amended agreement allows for payments for such amounts owed to be made through December 31, 2017. Cash balances that are held in custody at The Bank of New York Mellon under this amended agreement are reflected on the Statements of Assets and Liabilities of the Fund and the Trust as Restricted Cash.

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Market Risk

Trading in Commodity Interests such as Futures Contracts will involve the Funds entering into contractual commitments to purchase or sell specific amounts of commodities at a specified date in the future. The gross or face amount of the contracts is expected to significantly exceed the future cash requirements of each Fund as each Fund intends to close out any open positions prior to the contractual expiration date. As a result, each Fund s market risk is the risk of loss arising from the decline in value of the contracts, not from the need to make delivery under the contracts. The Funds consider the fair value of derivative instruments to be the unrealized gain or loss on the contracts. The market risk associated with the commitment by the Funds to purchase a specific commodity will be limited to the aggregate face amount of the contacts held.

Regulatory Environment

The regulation of futures markets, futures contracts, and futures exchanges has historically been comprehensive. The CFTC and the exchanges are authorized to take extraordinary actions in the event of a market emergency including, for example, the retroactive implementation of speculative position limits, increased margin requirements, the establishment of daily price limits and the suspension of trading on an exchange or trading facility.

Pursuant to authority in the CEA, the NFA has been formed and registered with the CFTC as a registered futures association. At the present time, the NFA is the only self-regulatory organization for commodity interest professionals, other than futures exchanges. The CFTC has delegated to the NFA responsibility for the registration of CPOs and FCMs and their respective associated persons. The Sponsor and the Fund s clearing broker are members of the NFA. As such, they will be subject to NFA standards relating to fair trade practices, financial condition and consumer protection. The NFA also arbitrates disputes between members and their customers and conducts registration and fitness screening of applicants for membership and audits of its existing members. Neither the Trust nor the Funds are required to become a member of the NFA. The regulation of commodity interest transactions in the United States is a rapidly changing area of law and is subject to ongoing modification by governmental and judicial action. Considerable regulatory attention has been focused on non-traditional investment pools that are publicly distributed in the United States. There is a possibility of future regulatory changes within the United States altering, perhaps to a material extent, the nature of an investment in the Funds, or the ability of a Fund to continue to implement its investment strategy. In addition, various national governments outside of the United States have expressed concern regarding the disruptive effects of speculative trading in the commodities markets and the need to regulate the derivatives markets in general. The effect of any future regulatory change on the Funds is impossible to predict but could be substantial and adverse.

The CFTC possesses exclusive jurisdiction to regulate the activities of commodity pool operators and commodity trading advisors with respect to "commodity interests," such as futures and swaps and options, and has adopted regulations with respect to the activities of those persons and/or entities. Under the Commodity Exchange Act (CEA), a registered commodity pool operator, such as the Sponsor, is required to make annual filings with the CFTC and the NFA describing its organization, capital structure, management and controlling persons. In addition, the CEA authorizes the CFTC to require and review books and records of, and documents prepared by, registered commodity pool operators. Pursuant to this authority, the CFTC requires commodity pool operators to keep accurate, current and orderly records for each pool that they operate. The CFTC may suspend the registration of a commodity pool operator (1) if the CFTC finds that the operator s trading practices tend to disrupt orderly market conditions, (2) if any controlling person of the operator is subject to an order of the CFTC denying such person trading privileges on any

exchange, and (3) in certain other circumstances. Suspension, restriction or termination of the Sponsor s registration as a commodity pool operator would prevent it, until that registration were to be reinstated, from managing the Funds, and might result in the termination of a Fund if a successor sponsor is not elected pursuant to the Trust Agreement. Neither the Trust nor the Funds are required to be registered with the CFTC in any capacity.

The Funds investors are afforded prescribed rights for reparations under the CEA. Investors may also be able to maintain a private right of action for violations of the CEA. The CFTC has adopted rules implementing the reparation provisions of the CEA, which provide that any person may file a complaint for a reparations award with the CFTC for violation of the CEA against a floor broker or an FCM, introducing broker, commodity trading advisor, CPO, and their respective associated persons.

The regulations of the CFTC and the NFA prohibit any representation by a person registered with the CFTC or by any member of the NFA, that registration with the CFTC, or membership in the NFA, in any respect indicates that the CFTC or the NFA has approved or endorsed that person or that person s trading program or objectives. The registrations and memberships of the parties described in this summary must not be considered as constituting any such approval or endorsement. Likewise, no futures exchange has given or will give any similar approval or endorsement.

Trading venues in the United States are subject to varying degrees of regulation under the CEA depending on whether such exchange is a designated contract market (i.e. a futures exchange) or a swap execution facility. Clearing organizations are also subject to the CEA and the rules and regulations adopted thereunder as administered by the CFTC. The CFTC s function is to implement the CEA s objectives of preventing price manipulation and excessive speculation and promoting orderly and efficient commodity interest markets. In addition, the various exchanges and clearing organizations themselves as self-regulatory organizations exercise regulatory and supervisory authority over their member firms.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was enacted in response to the economic crisis of 2008 and 2009 and it significantly altered the regulatory regime to which the securities and commodities markets are subject. To date, the CFTC has issued proposed or final versions of almost all of the rules it is required to promulgate under the Dodd-Frank Act, and it continues to issue proposed versions of additional rules that it has authority to promulgate. Provisions of the new law include the requirement that position limits be established on a wide range of commodity interests, including agricultural, energy, and metal-based commodity futures contracts, options on such futures contracts and uncleared swaps that are economically equivalent to such futures contracts and options (Reference Contracts); new registration and recordkeeping requirements for swap market participants; capital and margin requirements for swap dealers and major swap participants, as determined by the new law and applicable regulations; reporting of all swap transactions to swap data repositories; and the mandatory use of clearinghouse mechanisms for sufficiently standardized swap transactions that were historically entered into in the over-the-counter market, but are now designated as subject to the clearing requirement; and margin requirements for over-the-counter swaps that are not subject to the clearing requirements.

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The effect of future regulatory change on the Funds, and the exact timing of such changes, is impossible to predict but it may be substantial and adverse. Specifically, the new law, the rules that have been promulgated thereunder, and the rules that are expected to be promulgated may negatively impact the ability of a Fund to meet its investment objectives, either through position limits or requirements imposed on it and/or on their counterparties. In particular, new position limits imposed on a Fund or any counterparties may impact the ability of that Fund to invest in a manner that most efficiently meets its investment objective. New requirements, including capital imposed on the counterparties of a Fund and the mandatory clearing and margining of swaps, may increase the cost of that Fund s investments and doing business.

In addition, considerable regulatory attention has recently been focused on non-traditional publicly distributed investment pools such as the Funds. Furthermore, various national governments have expressed concern regarding the disruptive effects of speculative trading in certain commodity markets and the need to regulate the derivatives markets in general. The effect of any future regulatory change on the Funds is impossible to predict, but could be substantial and adverse.

Management believes that as of June 30, 2016 it had fulfilled in a timely manner all Dodd-Frank reporting requirements, both historical and on-going, for the categories under which the firm operates and is registered.

Position Limits, Aggregation Limits, Price Fluctuation Limits

On November 5, 2013, the CFTC re-proposed for public comment new regulations that would establish specific limits on speculative positions in futures contracts, option contracts and swaps on 28 agricultural, energy and metals commodities (the Position Limit Rules) and on September 29, 2015 issued a supplemental notice of proposed rulemaking and regulations addressing the circumstances under which market participants would be required to aggregate their positions with other persons under common ownership or control (the Proposed Aggregation Requirements). Both the Position Limit Rules and Proposed Aggregation Requirements are currently pending and have not yet been adopted. It remains to be seen whether the CFTC will modify the proposed regulations in response to public comments.

Currently, the CFTC enforces federal limits on speculation in agricultural products (e.g., corn, wheat and soy), while futures exchanges establish and enforce position limits and accountability levels for virtually all physical commodity contracts such as agricultural and certain energy products (e.g., oil and natural gas). As a result, the Funds may be limited with respect to the size of their investments in any commodity subject to these limits. Finally, subject to certain narrow exceptions, the Proposed Aggregation Requirements would require the aggregation, for purposes of the position limits, of all positions in Reference Contracts of the 28 regulated commodities held by a single entity and its affiliates, regardless of whether such positions exist on US futures exchanges, non-US futures exchanges, or in over-the-counter swaps. Under the CFTC s existing position limit requirements and the Position Limit Rules, a market participant is generally required to aggregate all positions for which ownership interest in an account or position, as well as the positions of two or more persons acting pursuant to an express or implied agreement or understanding. At this time, it is unclear how the Proposed Aggregation Requirements may affect the Fund, but it may be substantial and adverse. By way of example, the Proposed Aggregation Requirements in combination with the Position Limit Rules may negatively impact the ability of the Fund to meet its respective investment objectives through limits that may inhibit the Sponsor s ability to sell additional Creation Baskets of the Fund.

Position limits generally impose a fixed ceiling on aggregate holdings in futures contracts relating to a particular

commodity, and may also impose separate ceilings on contracts expiring in any one month, contracts expiring in the spot month, and/or contracts in certain specified final days of trading. By way of example, the CFTC s position limits for Soybean Futures Contracts (including related options) are 600 spot month contracts, 15,000 contracts expiring in any other single month, and 15,000 contracts for all months. All Soybean Futures Contracts held under the control of the Sponsor and its owned or commonly owned affiliates, including those held by any future series of the Trust, will be aggregated in determining the application of these position limits. Position limits could in certain circumstances effectively limit the number of Creation Baskets that the Soybean Fund can sell but, it is not expected to reach asset levels that would cause these position limits to be implicated in the near future.

As mandated by the Dodd-Frank Act, the CFTC is considering adopting a rule that will establish position limits not only for futures contracts but also for futures equivalent positions, over-the-counter swaps and options (i.e., contracts that are not traded on exchanges). If this rule was implemented, these new position limits would likely limit the ability of the Funds to establish positions in over-the-counter commodity interests as well.

Accountability levels differ from position limits in that they do not represent a fixed ceiling, but rather a threshold above which a futures exchange may exercise greater scrutiny and control over an investor s positions. If a Fund were to exceed an applicable accountability level for investments in futures contracts, the exchange will monitor the Fund s exposure and may ask for further information on its activities, including the total size of all positions, investment and trading strategy, and the extent of liquidity resources of the Fund. If deemed necessary by the exchange, the Fund could be ordered to reduce its aggregate net position back to the accountability level.

In addition to position limits and accountability levels, the exchanges set daily price fluctuation limits on futures contracts. The daily price fluctuation limit establishes the maximum amount that the price of futures contracts may vary either up or down from the previous day s settlement price. Once the daily price fluctuation limit has been reached in a particular futures contract, no trades may be made at a price beyond that limit.

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Off Balance Sheet Financing

As of June 30, 2016, neither the Trust nor any of the Funds has any loan guarantees, credit support or other off-balance sheet arrangements of any kind other than agreements entered into in the normal course of business, which may include indemnification provisions relating to certain risks service providers undertake in performing services which are in the best interests of the Funds. While the exposure of each Fund under these indemnification provisions cannot be estimated, they are not expected to have a material impact on the financial positions of each Fund.

Redemption Basket Obligation

Other than as necessary to meet the investment objective of the Funds and pay the contractual obligations described below, the Funds will require liquidity to redeem Redemption Baskets. Each Fund intends to satisfy this obligation through the transfer of cash of the Fund (generated, if necessary, through the sale of Treasury Securities) in an amount proportionate to the number of units being redeemed.

Contractual Obligations

The primary contractual obligations of each Fund will be with the Sponsor and certain other service providers. Except for TAGS, which has no management fee, the Sponsor, in return for its services, will be entitled to a management fee calculated as a fixed percentage of each Fund s NAV, currently 1.00% of its average net assets. Each Fund will also be responsible for all ongoing fees, costs and expenses of its operation, including (i) brokerage and other fees and commissions incurred in connection with the trading activities of the Fund; (ii) expenses incurred in connection with registering additional Shares of the Fund or offering Shares of the Fund; (iii) the routine expenses associated with the preparation and, if required, the printing and mailing of monthly, quarterly, annual and other reports required by applicable U.S. federal and state regulatory authorities, Trust meetings and preparing, printing and mailing proxy statements to Shareholders; (iv) the payment of any distributions related to redemption of Shares; (v) payment for routine services of the Trustee, legal counsel and independent accountants; (vi) payment for routine accounting, bookkeeping, custodial and transfer agency services, whether performed by an outside service provider or by affiliates of the Sponsor; (vii) postage and insurance; (viii) costs and expenses associated with client relations and services; (ix) costs of preparation of all federal, state, local and foreign tax returns and any taxes payable on the income, assets or operations of the Fund; and (xi) extraordinary expenses (including, but not limited to, legal claims and liabilities and litigation costs and any indemnification related thereto).

While the Sponsor has agreed to pay registration fees to the SEC, FINRA and any other regulatory agency in connection with the offer and sale of the Shares offered through each Fund s prospectus, the legal, printing, accounting and other expenses associated with such registrations, and the initial fee of $5,000 for listing the Shares on the NYSE Arca, each Fund will be responsible for any registration fees and related expenses incurred in connection with any future offer and sale of Shares of the Fund in excess of those offered through its prospectus.

Any general expenses of the Trust will be allocated among the Funds and any other series of the Trust as determined by the Sponsor in its sole and absolute discretion. The Trust is also responsible for extraordinary expenses, including, but not limited to, legal claims and liabilities and litigation costs and any indemnification related thereto. The Trust and/or the Sponsor may be required to indemnify the Trustee, Distributor or Administrator under certain circumstances.

The parties cannot anticipate the amount of payments that will be required under these arrangements for future periods as the NAV and trading levels to meet investment objectives for each Fund will not be known until a future date. These agreements are effective for a specific term agreed upon by the parties with an option to renew, or, in some cases, are in effect for the duration of each Fund s existence. The parties may terminate these agreements earlier for

certain reasons listed in the agreements.

On August 17, 2015 (the Conversion Date), U.S. Bank N.A. replaced The Bank of New York Mellon as the Custodian for the Funds. The principal business address for U.S. Bank N.A. is 1555 North Rivercenter Drive, Suite 302, Milwaukee, Wisconsin 53212. In addition, effective on the Conversion Date, U.S. Bancorp Fund Services, LLC (USBFS), a wholly owned subsidiary of U.S. Bank, commenced serving as administrator for each Fund, performing certain administrative and accounting services and preparing certain SEC reports on behalf of the Funds, and also became the registrar and transfer agent for each Fund s Shares. The principal address for USBFS is 777 East Wisconsin Avenue, Milwaukee, WI, 53202. For such services, U.S. Bank and USBFS will receive an asset-based fee, subject to a minimum annual fee. The Sponsor does not anticipate any material change to the expenses for any Fund, net of expenses waived by the Sponsor, as a result of the servicing conversion to USBFS.

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Benchmark Performance

The Funds have a limited operating history. Investing in commodity interests, or the Underlying Funds in the case of TAGS, subjects the Funds to the risks of the underlying commodities market, and this could result in substantial fluctuations in the price of each Fund s Shares. Unlike mutual funds, the Funds generally will not distribute dividends to Shareholders. Investors may choose to use the Funds as a means of investing indirectly in the underlying commodities, and there are risks involved in such investments. The Sponsor has limited experience operating a commodity pool. Investors may choose to use the Funds as vehicles to hedge against the risk of loss, and there are risks involved in hedging activities.

During the period from January 1, 2016 through June 30, 2016 the average daily change in the NAV of each Fund was within plus/minus 10 percent of the average daily change in the Benchmark of each Fund, as stated in the applicable prospectus for each Fund.

Frequency Distribution of Premiums and Discounts: NAV versus the 4pm Bid/Ask Midpoint on the NYSE Arca

CORN

The performance data above for the Teucrium Corn Fund represents past performance. Past performance is not a guarantee of future results. Investment return and value of the Fund s Shares will fluctuate so that an investor s Shares, when sold, may be worth more or less than their original cost. Performance may be lower or higher than performance data quoted.

SOYB

The performance data above for the Teucrium Soybean Fund represents past performance. Past performance is not a guarantee of future results. Investment return and value of the Fund s Shares will fluctuate so that an investor s Shares, when sold, may be worth more or less than their original cost. Performance may be lower or higher than performance data quoted.

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CANE

The performance data above for the Teucrium Sugar Fund represents past performance. Effective with the September 30, 2015 filing, all data for CANE has been updated to reflect NAV out to four decimal points; this update is now consistent with all other funds, but did not, in the opinion of the Sponsor, materially modify the nature of the information presented. Past performance is not a guarantee of future results. Investment return and value of the Fund s Shares will fluctuate so that an investor s Shares, when sold, may be worth more or less than their original cost. Performance may be lower or higher than performance data quoted.

WEAT

The performance data above for the Teucrium Wheat Fund represents past performance. Past performance is not a guarantee of future results. Investment return and value of the Fund s Shares will fluctuate so that an investor s Shares, when sold, may be worth more or less than their original cost. Performance may be lower or higher than performance data quoted.

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TAGS

The performance data above for the Teucrium Agricultural Fund represents past performance. Past performance is not a guarantee of future results. Investment return and value of the Fund s Shares will fluctuate so that an investor s Shares, when sold, may be worth more or less than their original cost. Performance may be lower or higher than performance data quoted.

As of August 2, 2012, TAGS has 50,002 shares currently outstanding; this represents the minimum number of shares and, thus, no shares can be redeemed until additional shares have been created. This situation has generated a situation, at times, in which the spread between bid/ask midpoint at 4pm and the NAV falls outside of the 1 to 49 or -1 to -49 range. The situation does not affect the actual NAV of the Fund.

Description

The above frequency distribution charts presents information about the difference between the daily market price for Shares of each Fund and the Fund s reported Net Asset Value per share. The amount that a Fund s market price is above the reported NAV is called the premium. The amount that a Fund s market price is below the reported NAV is called the discount. The market price is determined using the midpoint between the highest bid and the lowest offer on the listing exchange, as of the time that a Fund s NAV is calculated (usually 4:00 p.m., New York time). The horizontal axis of the chart shows the premium or discount expressed in basis points. The vertical axis indicates the number of trading days in the period covered by the chart. Each bar in the chart shows the number of trading days in which a Fund traded within the premium/discount range indicated.

*A unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

NEITHER THE PAST PERFORMANCE OF A FUND NOR THE PRIOR INDEX LEVELS AND CHANGES, POSITIVE OR NEGATIVE, SHOULD BE TAKEN AS AN INDICATION OF THE FUND S FUTURE PERFORMANCE.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk

The discussion and analysis which follows may contain trend analysis and other forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 which reflect our current views with respect to future events and financial results. Words such as anticipate, expect, intend, plan, believe, seek, outlook a as well as similar words and phrases, signify forward-looking statements. The Trust s forward-looking statements are not guarantees of future results and conditions, and important factors, risks and uncertainties may cause our actual results to differ materially from those expressed in our forward-looking statements.

You should not place undue reliance on any forward-looking statements. Except as expressly required by the Federal securities laws, the Sponsor undertakes no obligation to publicly update or revise any forward-looking statements or the risks, uncertainties or other factors described in this Report, as a result of new information, future events or changed circumstances or for any other reason after the date of this Report.

Trading in Commodity Interests such as Futures Contracts will involve the Funds entering into contractual commitments to purchase or sell specific amounts of commodities at a specified date in the future. The gross or face amount of the contracts is expected to significantly exceed the future cash requirements of each Fund as each Fund intends to close out any open positions prior to the contractual expiration date. As a result, each Fund s market risk is the risk of loss arising from the decline in value of the contracts, not from the need to make delivery under the contracts. The Funds consider the fair value of derivative instruments to be the unrealized gain or loss on the contracts. The market risk associated with the commitment by the Funds to purchase a specific commodity will be limited to the aggregate face amount of the contracts held.

The exposure of the Funds to market risk will depend primarily on the market price of the specific commodities held by the Fund. The market price of the commodities depends in part on the volatility of interest rates and foreign exchange rates and the liquidity of the commodity-specific markets.

TAGS is subject to the risks of the commodity-specific futures contracts of the Underlying Funds as the fair value of its holdings is based on the NAV of each of the Underlying Funds, each of which is directly impacted by the factors discussed above.

The tables below present a quantitative analysis of hypothetical impact of price decreases and increases in each of the commodity futures contracts held by each of the Funds, or the Underlying Funds in the case of TAGS, on the actual holdings and NAV per share as of June 30, 2016. For purposes of this analysis, all futures contracts held by the Funds and the Underlying Funds are assumed to change by the same percentage. In addition, the cash held by the Funds and any management fees paid to the Sponsor are assumed to remain constant and not impact the NAV per share. There may be very slight and immaterial differences, due to rounding, in the tables presented below.

CORN:

Holdings as of June 30, 2016	June 30, 2016 as Reported			10% Decrease	15% Decrease	20% Decrease	10% Increase	15% Increase	20% Increase
	Number of Contracts Held	Closing Price	Notional Amount	Notional Amount	Notional Amount	Notional Amount	Notional Amount	Notional Amount	Notional Amount
CBOT Corn Futures SEP16	1,245	$ 3.6550	$ 22,752,375	$ 20,477,138	$ 19,339,519	$ 18,201,900	$ 25,027,613	$ 26,165,231	$ 27,302,850
CBOT Corn Futures DEC16	1,052	$ 3.7125	$ 19,527,750	$ 17,574,975	$ 16,598,588	$ 15,622,200	$ 21,480,525	$ 22,456,913	$ 23,433,300
CBOT Corn Futures DEC17	1,229	$ 3.8875	$ 23,888,688	$ 21,499,819	$ 20,305,384	$ 19,110,950	$ 26,277,556	$ 27,471,991	$ 28,666,425
Total CBOT Corn Futures			$ 66,168,813	$ 59,551,931	$ 56,243,491	$ 52,935,050	$ 72,785,694	$ 76,094,134	$ 79,402,575
Shares outstanding			3,250,004	3,250,004	3,250,004	3,250,004	3,250,004	3,250,004	3,250,004
Net Asset Value per Share attributable directly to CBOT Corn Futures			$ 20.36	$ 18.32	$ 17.31	$ 16.29	$ 22.40	$ 23.41	$ 24.43
Total Net Asset Value per Share as reported			$ 20.34						
Change in the Net Asset Value per Share				$ (2.04)	$ (3.05)	$ (4.07)	$ 2.04	$ 3.05	$ 4.07
Percent Change in the Net Asset Value per Share				-10.01%	-15.01%	-20.02%	10.01%	15.01%	20.02%

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SOYB:

Holdings as of June 30, 2016	June 30, 2016 as Reported			10% Decrease	15% Decrease	20% Decrease	10% Increase	15% Increase	20% Increase
	Number of Contracts Held	Closing Price	Notional Amount	Notional Amount	Notional Amount	Notional Amount	Notional Amount	Notional Amount	Notional Amount
CBOT Soybean Futures NOV16	79	$ 11.5325	$ 4,555,338	$ 4,099,804	$ 3,872,037	$ 3,644,270	$ 5,010,871	$ 5,238,638	$ 5,466,405
CBOT Soybean Futures JAN17	68	$ 11.4825	$ 3,904,050	$ 3,513,645	$ 3,318,443	$ 3,123,240	$ 4,294,455	$ 4,489,658	$ 4,684,860
CBOT Soybean Futures NOV17	88	$ 9.9350	$ 4,371,400	$ 3,934,260	$ 3,715,690	$ 3,497,120	$ 4,808,540	$ 5,027,110	$ 5,245,680
Total CBOT Soybean Futures			$ 12,830,788	$ 11,547,709	$ 10,906,169	$ 10,264,630	$ 14,113,866	$ 14,755,406	$ 15,396,945
Shares outstanding			600,004	600,004	600,004	600,004	600,004	600,004	600,004
Net Asset Value per Share attributable directly to CBOT Soybean Futures			$ 21.38	$ 19.25	$ 18.18	$ 17.11	$ 23.52	$ 24.59	$ 25.66
Total Net Asset Value per Share as reported			$ 21.37						
Change in the Net Asset Value per Share				$ (2.14)	$ (3.21)	$ (4.28)	$ 2.14	$ 3.21	$ 4.28
Percent Change in the Net Asset				-10.01%	-15.01%	-20.02%	10.01%	15.01%	20.02%

Value per Share

CANE:

Holdings as of June 30, 2016	June 30, 2016 as Reported			10% Decrease	15% Decrease	20% Decrease	10% Increase	15% Increase	20% Increase
	Number of Contracts Held	Closing Price	Notional Amount	Notional Amount	Notional Amount	Notional Amount	Notional Amount	Notional Amount	Notional Amount
ICE #11 Sugar Futures MAR17	109	$ 0.2043	$ 2,494,094	$ 2,244,685	$ 2,119,980	$ 1,995,276	$ 2,743,504	$ 2,868,209	$ 2,992,913
ICE #11 Sugar Futures MAY17	98	$ 0.1930	$ 2,118,368	$ 1,906,531	$ 1,800,613	$ 1,694,694	$ 2,330,205	$ 2,436,123	$ 2,542,042
ICE #11 Sugar Futures MAR18	124	$ 0.1782	$ 2,474,842	$ 2,227,357	$ 2,103,615	$ 1,979,873	$ 2,722,326	$ 2,846,068	$ 2,969,810
Total ICE #11 Sugar Futures			$ 7,087,304	$ 6,378,574	$ 6,024,208	$ 5,669,843	$ 7,796,034	$ 8,150,400	$ 8,504,765
Shares outstanding			550,004	550,004	550,004	550,004	550,004	550,004	550,004
Net Asset Value per Share attributable directly to ICE #11 Sugar Futures			$ 12.89	$ 11.60	$ 10.95	$ 10.31	$ 14.17	$ 14.82	$ 15.46
Total Net Asset Value per Share as reported			$ 12.92						
Change in the Net Asset Value per Share				$ (1.29)	$ (1.93)	$ (2.58)	$ 1.29	$ 1.93	$ 2.58
Percent Change in the Net Asset Value per Share				-9.97%	-14.96%	-19.95%	9.97%	14.96%	19.95%

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WEAT:

Holdings as of June 30, 2016	June 30, 2016 as Reported			10% Decrease	15% Decrease	20% Decrease	10% Increase	15% Increase	20% Increase
	Number of Contracts Held	Closing Price	Notional Amount	Notional Amount	Notional Amount	Notional Amount	Notional Amount	Notional Amount	Notional Amount
CBOT Wheat Futures SEP16	577	$ 4.4550	$ 12,852,675	$ 11,567,408	$ 10,924,774	$ 10,282,140	$ 14,137,943	$ 14,780,576	$ 15,423,210
CBOT Wheat Futures DEC16	474	$ 4.6550	$ 11,032,350	$ 9,929,115	$ 9,377,498	$ 8,825,880	$ 12,135,585	$ 12,687,203	$ 13,238,820
CBOT Wheat Futures DEC17	489	$ 5.2625	$ 12,866,813	$ 11,580,132	$ 10,936,791	$ 10,293,450	$ 14,153,494	$ 14,796,835	$ 15,440,176
Total CBOT Wheat Futures			$ 36,751,838	$ 33,076,654	$ 31,239,062	$ 29,401,470	$ 40,427,022	$ 42,264,614	$ 44,102,206
Shares outstanding			4,475,004	4,475,004	4,475,004	4,475,004	4,475,004	4,475,004	4,475,004
Net Asset Value per Share attributable directly to CBOT Wheat Futures			$ 8.21	$ 7.39	$ 6.98	$ 6.57	$ 9.03	$ 9.44	$ 9.86
Total Net Asset Value per Share as reported			$ 8.22						
Change in the Net Asset Value per Share				$ (0.82)	$ (1.23)	$ (1.64)	$ 0.82	$ 1.23	$ 1.64
Percent Change in the Net Asset				-9.99%	-14.99%	-19.98%	9.99%	14.99%	19.98%

Value per Share

TAGS:

Holdings as of June 30, 2016	June 30, 2016 as Reported			10% Decrease	15% Decrease	20% Decrease	10% Increase	15% Increase	20% Increase
	Number of Shares Held	Closing NAV	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Teucrium Corn Fund	16,208	$ 20.3420	$ 329,703	$ 296,733	$ 280,248	$ 263,763	$ 362,673	$ 379,159	$ 395,644
Teucrium Soybean Fund	17,631	$ 21.3654	$ 376,694	$ 339,025	$ 320,190	$ 301,355	$ 414,363	$ 433,198	$ 452,033
Teucrium Sugar Fund	29,724	$ 12.9194	$ 384,016	$ 345,615	$ 326,414	$ 307,213	$ 422,418	$ 441,619	$ 460,820
Teucrium Wheat Fund	41,737	$ 8.2161	$ 342,915	$ 308,624	$ 291,478	$ 274,332	$ 377,207	$ 394,353	$ 411,498
Total value of shares of the Underlying Funds			$ 1,433,329	$ 1,289,996	$ 1,218,329	$ 1,146,663	$ 1,576,662	$ 1,648,328	$ 1,719,995
Shares outstanding			50,002	50,002	50,002	50,002	50,002	50,002	50,002
Net Asset Value per Share attributable directly to shares of the Underlying Funds			$ 28.67	$ 25.80	$ 24.37	$ 22.93	$ 31.53	$ 32.97	$ 34.40
Total Net Asset Value per Share as reported			$ 28.80						
Change in the Net Asset Value per Share				$ (2.87)	$ (4.30)	$ (5.73)	$ 2.87	$ 4.30	$ 5.73
Percent Change in the Net Asset Value per Share				-9.95%	-14.93%	-19.91%	9.95%	14.93%	19.91%

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Margin is the minimum amount of funds that must be deposited by a commodity interest trader with the trader s broker to initiate and maintain an open position in futures contracts. A margin deposit acts to assure the trader s performance of the futures contracts purchased or sold. Futures contracts are customarily bought and sold on initial margin that represents a very small percentage (ranging upward from less than 2%) of the aggregate purchase or sales price of the contract. Because of such low margin requirements, price fluctuations occurring in the futures markets may create profits and losses that, in relation to the amount invested, are greater than are customary in other forms of investment or speculation. As discussed below, adverse price changes in the futures contract may result in margin requirements that greatly exceed the initial margin. In addition, the amount of margin required in connection with a particular futures contract is set from time to time by the exchange on which the contract is traded and may be modified from time to time by the exchange during the term of the contract. Brokerage firms, such as the Funds clearing brokers, carrying accounts for traders in commodity interest contracts generally require higher amounts of margin as a matter of policy to further protect themselves. Over-the-counter trading generally involves the extension of credit between counterparties, so the counterparties may agree to require the posting of collateral by one or both parties to address credit exposure.

When a trader purchases an option, there is no margin requirement; however, the option premium must be paid in full. When a trader sells an option, on the other hand, he or she is required to deposit margin in an amount determined by the margin requirements established for the underlying interest and, in addition, an amount substantially equal to the current premium for the option. The margin requirements imposed on the selling of options, although adjusted to reflect the probability that out-of-the-money options will not be exercised, can in fact be higher than those imposed in dealing in the futures markets directly. Complicated margin requirements apply to spreads and conversions, which are complex trading strategies in which a trader acquires a mixture of options positions and positions in the underlying interest.

Ongoing or maintenance margin requirements are computed each day by a trader s clearing broker. When the market value of a particular open futures contract changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a margin call is made by the broker. If the margin call is not met within a reasonable time, the broker may close out the trader s position. With respect to the various Funds trading, the Funds (and not its shareholders personally) are subject to margin calls.

Finally, many major U.S. exchanges have passed certain cross margining arrangements involving procedures pursuant to which the futures and options positions held in an account would, in the case of some accounts, be aggregated and margin requirements would be assessed on a portfolio basis, measuring the total risk of the combined positions.

The Dodd-Frank Act requires the CFTC, the SEC and the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Farm Credit System and the Federal Housing Finance Agency (collectively, the Prudential Regulators) to establish both initial and variation margin requirements on all swaps that are not cleared by a registered clearing organization (i.e., uncleared or over-the-counter swaps). The proposed rules would require swap dealers and major swap participants to collect both variation and initial margin from their financial entity counterparties such as the Funds or Underlying Funds but would not require these swap dealers or major swap participants to post variation margin or initial margin to the Funds or Underlying Funds. The CFTC and the Prudential Regulators have finalized these rules in 2016 and compliance will be due beginning September 2016.

An exchange for related position (EFRP) can be used by the Fund as a technique to facilitate the exchanging of a futures hedge position against a creation or redemption order, and thus the Fund may use an EFRP transaction in connection with the creation and redemption of shares. The market specialist/market maker that is the ultimate purchaser or seller of shares in connection with the creation or redemption basket, respectively, agrees to sell or purchase a corresponding offsetting futures position which is then settled on the same business day as a cleared futures transaction by the FCMs. The Fund will become subject to the credit risk of the market specialist/market maker until the EFRP is settled or terminated. The Fund reports all activity related to EFRP transactions under the procedures and guidelines of the CFTC and the exchanges on which the futures are traded. These transactions must be carried out only pursuant to the rules of the applicable exchange.

For the three-months ended June 30, 2016, the only counterparty risk to which the Funds were subject was that in association with EFRPs as described above.

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Trust and each Fund maintains disclosure controls and procedures that are designed to ensure that material information required to be disclosed in the Trust s periodic reports filed or submitted under the Securities Exchange Act of 1934, as amended (the Exchange Act) is recorded, processed, summarized and reported within the time period specified in the SEC s rules and forms for both the Trust and each Fund thereof.

Management of the Sponsor of the Teucrium Funds (Management), including Dale Riker, its Chief Executive Officer and Barbara Riker, its Chief Financial Officer, who perform functions equivalent to those of a principal executive officer and principal financial officer of the Trust if the Trust had any officers, have evaluated the effectiveness of the design and operation of the Trust s and each Fund s disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report, and, based upon that evaluation, concluded that the Trust s and each Fund s disclosure controls and procedures were effective to ensure that information the Trust is required to disclose in the reports that it files or submits with the SEC under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms, and to ensure that information required to be disclosed by the Trust in the reports that it files or submits under the Exchange Act is accumulated and communicated to management of the Sponsor, as appropriate, to allow timely decisions regarding required disclosure. The scope of the evaluation of the effectiveness of the design and operation of its disclosure controls and procedures covers both the Trust and each Fund thereof.

The certifications of the Chief Executive Officer and Chief Financial Officer are applicable to each Fund individually as well as the Trust as a whole.

Changes in Internal Control over Financial Reporting

There has been no change in internal controls over the financial reporting (as defined in the Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the Trust s last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Trust s internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in the Trust s Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed on March 15, 2016.

The commodity interests in which each of the Funds invests, and in which TAGS invests indirectly through the Shares of the Underlying Funds, are referred to as Commodity Interests and for each Fund individually as the specific commodity interests, e.g. Corn Interests.

Risks Applicable to all Funds

There are Risks Related to Fund Structure and Operations of the Funds

Unlike mutual funds, commodity pools and other investment pools that manage their investments so as to realize income and gains for distribution to their investors, a Fund generally does not distribute dividends to Shareholders. You should not invest in a Fund if you will need cash distributions from the Fund to pay taxes on your share of income and gains of the Fund, if any, or for other purposes.

The Sponsor has consulted with legal counsel, accountants and other advisers regarding the formation and operation of the Trust and the Funds. No counsel has been appointed to represent you in connection with the offering of Shares. Accordingly, you should consult with your own legal, tax and financial advisers regarding the desirability of an investment in the Shares.

The Sponsor intends to re-invest any income and realized gains of a Fund in additional Commodity Interests, or Shares of the Underlying Funds in the case of TAGS, rather than distributing cash to Shareholders. Although a Fund does not intend to make cash distributions, the income earned from its investments held directly or posted as margin may reach levels that merit distribution, e.g., at levels where such income is not necessary to support its underlying investments in Commodity Interests, corn for example, and where investors adversely react to being taxed on such income without receiving distributions that could be used to pay such tax. Cash distributions may be made in these and similar instances.

A Fund must pay for all brokerage fees, taxes and other expenses, including licensing fees for the use of intellectual property, registration or other fees paid to the SEC, the Financial Industry Regulatory Authority (FINRA), or any other regulatory agency in connection with the offer and sale of subsequent Shares, after its initial registration, and all legal, accounting, printing and other expenses associated therewith. Each Fund also pays the fees and expenses associated with the Trust s tax accounting and reporting requirements. Each Fund, excluding TAGS, is also contractually obligated to pay a management fee to the Sponsor. Such fees may be waived by the Sponsor at its discretion. Accordingly, each Fund must realize interest income and/or gains on Commodity Interests sufficient to cover these fees and expenses before it can earn any profit.

A Fund may terminate at any time, regardless of whether the Fund has incurred losses, subject to the terms of the

Trust Agreement. For example, the dissolution or resignation of the Sponsor would cause the Trust to terminate unless shareholders holding a majority of the outstanding shares of the Trust elect within 90 days of the event to continue the Trust and appoint a successor Sponsor. In addition, the Sponsor may terminate a Fund if it determines that the Fund s aggregate net assets in relation to its operating expenses make the continued operation of the Fund unreasonable or imprudent. However, no level of losses will require the Sponsor to terminate a Fund. The Fund s termination would result in the liquidation of its investments and the distribution of its remaining assets to the Shareholders on a pro rata basis in accordance with their Shares, and the Fund could incur losses in liquidating its investments in connection with a termination. Termination could also negatively affect the overall maturity and timing of your investment portfolio. Any expenses related to the operation of a Fund would need to be paid by the Fund at the time of termination.

To the extent that investors use a Fund as a means of investing indirectly in a specific Commodity Interest, there is the risk that the changes in the price of the Fund s Shares on the NYSE Arca will not closely track the changes in spot price of that Commodity Interest. This could happen if the price of Shares traded on the NYSE Arca does not correlate with the Fund s NAV, if the changes in the Fund s NAV do not correlate with changes in the Benchmark, or if the changes in the Benchmark do not correlate with changes in the cash or spot price of the specific Commodity Interest. This is a risk because if these correlations are not sufficiently close, then investors may not be able to use the Fund as a cost-effective way to invest indirectly in the specific Commodity Interest, or the underlying specific Commodity Interest in the case of TAGS, or as a hedge against the risk of loss in commodity-related transactions.

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Only an Authorized Purchaser may engage in creation or redemption transactions directly with the Funds. The Funds have a limited number of institutions that act as Authorized Purchasers. To the extent that these institutions exit the business or are unable to proceed with creation and/or redemption orders with respect to the Funds and no other Authorized Purchaser is able to step forward to create or redeem Creation Units, Fund shares may trade at a discount to NAV and possibly face trading halts and/or delisting. In addition, a decision by a market maker or lead market maker to step away from activities for a Fund, particularly in times of market stress, could adversely affect liquidity, the spread between the bid and ask quotes for the Fund s Shares, and potentially the price of the Shares. The Sponsor can make no guarantees that participation by Authorized Purchasers or market makers will continue.

An investment in a Fund faces numerous risks from its shares being traded in the secondary market, any of which may lead to the Fund s shares trading at a premium or discount to NAV. Although Fund shares are listed for trading on the NYSE Arca, there can be no assurance that an active trading market for such shares will develop or be maintained. Trading in Fund shares may be halted due to market conditions or for reasons that, in the view of the NYSE Arca, make trading in shares inadvisable. There can be no assurance that the requirements of the NYSE Arca necessary to maintain the listing of any Fund will continue to be met or will remain unchanged or that the shares will trade with any volume, or at all. The NAV of each Fund s shares will generally fluctuate with changes in the market value of the Fund s portfolio holdings. The market prices of shares will generally fluctuate in accordance with changes in the Fund s NAV and supply and demand of shares on the NYSE Arca. It cannot be predicted whether a Fund shares will trade below, at or above their NAV. Investors buying or selling Fund shares in the secondary market will pay brokerage commissions or other charges imposed by brokers as determined by that broker. Brokerage commissions are often a fixed amount and may be a significant proportional cost for investors seeking to buy or sell relatively small amounts of shares.

None of the Funds are an investment company subject to the Investment Company Act of 1940. Accordingly, you do not have the protections afforded by that statute, which, for example, requires investment companies to have a board of directors with a majority of disinterested directors and regulates the relationship between the investment company and its investment manager.

The arrangements between clearing brokers and counterparties on the one hand and the Funds on the other generally are terminable by the clearing brokers or counterparty upon notice to the Funds. In addition, the agreements between the Funds and their third-party service providers, such as the Distributor and the Custodian, are generally terminable at specified intervals. Upon termination, the Sponsor may be required to renegotiate or make other arrangements for obtaining similar services if the Funds intend to continue to operate. Comparable services from another party may not be available, or even if available, these services may not be available on the terms as favorable as those of the expired or terminated arrangements.

The Sponsor does not employ trading advisors for the Funds; however, it reserves the right to employ them in the future. The only advisor to the Funds is the Sponsor. A lack of independent trading advisors may be disadvantageous to the Funds because they will not receive the benefit of their expertise.

The Sponsor s trading strategy is quantitative in nature, and it is possible that the Sponsor will make errors in its implementation. The execution of the quantitative strategy is subject to human error, such as incorrect inputs into the Sponsor s computer systems and incorrect information provided to the Funds clearing brokers. In addition, it is possible that a computer or software program may malfunction and cause an error in computation. Any failure, inaccuracy or delay in executing the Funds transactions could affect its ability to achieve its investment objective. It could also result in decisions to undertake transactions based on inaccurate or incomplete information. This could cause substantial losses on transactions. The Sponsor is not required to reimburse a Fund for any costs associated with an error in the placement or execution of a trade in commodity futures interests or shares of the Underlying Funds.

The Funds trading activities depend on the integrity and performance of the computer and communications systems supporting them. Extraordinary transaction volume, hardware or software failure, power or telecommunications failure, a natural disaster or other catastrophe could cause the computer systems to operate at an unacceptably slow speed or even fail. Any significant degradation or failure of the systems that the Sponsor uses to gather and analyze information, enter orders, process data, monitor risk levels and otherwise engage in trading activities may result in substantial losses on transactions, liability to other parties, lost profit opportunities, damages to the Sponsor s and Funds reputations, increased operational expenses and diversion of technical resources.

The development of complex computer and communications systems and new technologies may render the existing computer and communications systems supporting the Funds trading activities obsolete. In addition, these computer and communications systems must be compatible with those of third parties, such as the systems of exchanges, clearing brokers and the executing brokers. As a result, if these third parties upgrade their systems, the Sponsor will need to make corresponding upgrades to continue effectively its trading activities. The Funds future success may depend on the Funds ability to respond to changing technologies on a timely and cost-effective basis.

The Funds depend on the proper and timely function of complex computer and communications systems maintained and operated by the futures exchanges, brokers and other data providers that the Sponsor uses to conduct trading activities. Failure or inadequate performance of any of these systems could adversely affect the Sponsor s ability to complete transactions, including its ability to close out positions, and result in lost profit opportunities and significant losses on commodity interest transactions. This could have a material adverse effect on revenues and materially reduce the Funds available capital. For example, unavailability of price quotations from third parties may make it difficult or impossible for the Sponsor to conduct trading activities so that each Fund will closely track its Benchmark. Unavailability of records from brokerage firms may make it difficult or impossible for the Sponsor to accurately determine which transactions have been executed or the details, including price and time, of any transaction executed. This unavailability of information also may make it difficult or impossible for the Sponsor to reconcile its records of transactions with those of another party or to accomplish settlement of executed transactions.

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The operations of the Funds, the exchanges, brokers and counterparties with which the Funds do business, and the markets in which the Funds do business could be severely disrupted in the event of a major terrorist attack, natural disaster, or the outbreak, continuation or expansion of war or other hostilities. Global terrorist attacks, anti-terrorism initiatives, and political unrest continue to fuel this concern.

Failures or breaches of the electronic systems of the Funds, the Sponsor, the Custodian or mutual funds or other financial institutions in which the Funds invest, or the Funds other service providers, market makers, Authorized Purchasers, NYSE Arca, exchanges on which Futures Contracts or Other Commodity Interests are traded or cleared, or counterparties have the ability to cause disruptions and negatively impact the Funds business operations, potentially resulting in financial losses to a Fund and its shareholders. While the Funds have established business continuity plans and risk management systems seeking to address system breaches or failures, there are inherent limitations in such plans and systems. Furthermore, the Funds cannot control the cyber security plans and systems of the Custodian or mutual funds or other financial institutions in which the Funds invest, or the Funds other service providers, market makers, Authorized Purchasers, NYSE Arca, exchanges on which Futures Contracts or Other Commodity Interests are traded or cleared, or counterparties.

The Trust may, in its discretion, suspend the right to redeem Shares of a Fund or postpone the redemption settlement date: (1) for any period during which an applicable exchange is closed other than customary weekend or holiday closing, or trading is suspended or restricted; (2) for any period during which an emergency exists as a result of which delivery, disposal or evaluation of a Fund s assets is not reasonably practicable; (3) for such other period as the Sponsor determines to be necessary for the protection of Shareholders; (4) if there is a possibility that any or all of the Benchmark Component Futures Contracts of a Fund on the specific exchange where the Fund is traded and from which the NAV of the Fund is calculated will be priced at a daily price limit restriction; or (5) if, in the sole discretion of the Sponsor, the execution of such an order would not be in the best interest of a Fund or its Shareholders. In addition, the Trust will reject a redemption order if the order is not in proper form as described in the agreement with the Authorized Purchaser or if the fulfillment of the order, in the opinion of its counsel, might be unlawful. Any such postponement, suspension or rejection could adversely affect a redeeming Shareholder. For example, the resulting delay may adversely affect the value of the Shareholder s redemption proceeds if the NAV of a Fund declines during the period of delay. The Trust Agreement provides that the Sponsor and its designees will not be liable for any loss or damage that may result from any such suspension or postponement. A minimum number of baskets and associated Shares are specified for each Fund in its prospectus and in Part I, Item 1 of this document. Once that minimum number of Shares outstanding is reached, there can be no further redemptions until there has been a Creation Basket.

The Intraday Indicative Value (IIV) and the Benchmark for each Fund are calculated and disseminated by the NYSE Arca under an agreement between the Sponsor and the NYSE Arca. Additionally, information may be calculated and disseminated under similar agreements between the Sponsor and other third party entities. Although reasonable efforts are taken to ensure the accuracy of the information disseminated under this agreement, there may, from time to time, be recalculations of previously released information.

Third parties may assert that the Sponsor has infringed or otherwise violated their intellectual property rights. Third parties may independently develop business methods, trademarks or proprietary software and other technology similar to that of the Sponsor and claim that the Sponsor has violated their intellectual property rights, including their copyrights, trademark rights, trade names, trade secrets and patent rights. As a result, the Sponsor may have to litigate in the future to determine the validity and scope of other parties proprietary rights, or defend itself against claims that it has infringed or otherwise violated other parties rights. Any litigation of this type, even if the Sponsor is successful and regardless of the merits, may result in significant costs, may divert resources from the Fund, or may require the Sponsor to change its proprietary software and other technology or enter into royalty or licensing agreements. The Sponsor has a patent on certain business methods and procedures used with respect to the Funds. The Sponsor utilizes certain proprietary software. Any unauthorized use of such proprietary software, business methods and/or procedures

could adversely affect the competitive advantage of the Sponsor or the Funds and/or cause the Sponsor to take legal action to protect its rights.

In managing and directing the day-to-day activities and affairs of these Funds, the Sponsor relies almost entirely on a small number of individuals, including Mr. Sal Gilbertie, Mr. Dale Riker, Mr. Steve Kahler and Ms. Barbara Riker. If Mr. Gilbertie, Mr. Riker, Mr. Kahler or Ms. Riker were to leave or be unable to carry out their present responsibilities, it may have an adverse effect on the management of the Funds. To the extent that the Sponsor establishes additional commodity pools, even greater demands will be placed on these individuals.

The Sponsor was formed for the purpose of managing the Trust, including all the Funds, and any other series of the Trust that may be formed in the future, and has been provided with capital primarily by its principals and a small number of outside investors. If the Sponsor operates at a loss for an extended period, its capital will be depleted, and it may be unable to obtain additional financing necessary to continue its operations. If the Sponsor were unable to continue to provide services to these Funds, the Funds would be terminated if a replacement sponsor could not be found.

In 2016, the CFTC is expected to implement its rules and regulations requiring the posting of margin for over-the-counter transactions. Once these rules are implemented, it may become more expensive for a Fund to enter into over-the-counter uncleared swaps and options agreements.

You cannot be assured that the Sponsor will be willing or able to continue to service each Fund for any length of time. The Sponsor was formed for the purpose of sponsoring the Funds and other commodity pools, and has limited financial resources and no significant source of income apart from its management fees from such commodity pools to support its continued service for each Fund. If the Sponsor discontinues its activities on behalf of a Fund, the Fund may be adversely affected. If the Sponsor s registrations with the CFTC or memberships in the NFA were revoked or suspended, the Sponsor would no longer be able to provide services to the Funds.

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The Sponsor May Have Conflicts of Interest

The structure and operation of the Funds may involve conflicts of interest. For example, a conflict may arise because the Sponsor and its principals and affiliates may trade for themselves. In addition, the Sponsor has sole current authority to manage the investments and operations, and the interests of the Sponsor may conflict with the Shareholders best interests, including the authority of the Sponsor to allocate expenses to and between the Funds.

The Performance of Each Fund May Not Correlate with the Applicable Benchmark

Each Fund has a limited operating history, so there is limited performance history to serve as a basis for you to evaluate an investment in the Fund.

If a Fund is required to sell Treasury Securities or cash equivalents at a price lower than the price at which they were acquired, the Fund will experience a loss. This loss may adversely impact the price of the Shares and may decrease the correlation between the price of the Shares, the Benchmark, and the spot price of the specific commodity interest or the commodity interests of the Underlying Funds in the case of TAGS. The value of Treasury Securities and other debt securities generally moves inversely with movements in interest rates. The prices of longer maturity securities are subject to greater market fluctuations as a result of changes in interest rates. While the short-term nature of a Fund s investments in Treasury Securities and cash equivalents should minimize the interest rate risk to which the Fund is subject, it is possible that the Treasury Securities and cash equivalents held by the Fund will decline in value.

The Sponsor s trading system is quantitative in nature, and it is possible that the Sponsor may make errors. In addition, it is possible that a computer or software program may malfunction and cause an error in computation.

Increases in assets under management may affect trading decisions. While all of the Funds assets are currently at manageable levels, the Sponsor does not intend to limit the amount of any Fund s assets. The more assets the Sponsor manages, the more difficult it may be for it to trade profitably because of the difficulty of trading larger positions without adversely affecting prices and performance and of managing risk associated with larger positions.

Each Fund seeks to have the changes in its Shares NAV in percentage terms track changes in the Benchmark in percentage terms, rather than profit from speculative trading of the specific Commodity Interests, or the commodity interests of the Underlying Funds in the case of TAGS. The Sponsor therefore endeavors to manage each Fund so that the Fund s assets are, unlike those of many other commodity pools, not leveraged (i.e., so that the aggregate amount of the Fund s exposure to losses from its investments in specific Commodity Interests at any time will not exceed the value of the Fund s assets). There is no assurance that the Sponsor will successfully implement this investment strategy. If the Sponsor permits a Fund to become leveraged, you could lose all or substantially all of your investment if the Fund s trading positions suddenly turns unprofitable. These movements in price may be the result of factors outside of the Sponsor s control and may not be anticipated by the Sponsor.

The Sponsor cannot predict to what extent the performance of the commodity interest will or will not correlate to the performance of other broader asset classes such as stocks and bonds. If the performance of a specific Fund were to move more directly with the financial markets, an investment in the Fund may provide you little or no diversification benefits. Thus, in a declining market, the Fund may have no gains to offset your losses from other investments, and you may suffer losses on your investment in the Fund at the same time you may incur losses with respect to other asset classes. Variables such as drought, floods, weather, embargoes, tariffs and other political events may have a larger impact on commodity and Commodity Interests prices than on traditional securities and broader financial markets. These additional variables may create additional investment risks that subject a Fund s investments to greater volatility than investments in traditional securities. Lower correlation should not be confused with negative correlation, where the performance of two asset classes would be opposite of each other. There is no historic evidence

that the spot price of a specific commodity, corn, for example, and prices of other financial assets, such as stocks and bonds, are negatively correlated. In the absence of negative correlation, a Fund cannot be expected to be automatically profitable during unfavorable periods for the stock market, or vice versa.

Under the Trust Agreement, the Trustee and the Sponsor are not liable, and have the right to be indemnified, for any liability or expense incurred absent gross negligence or willful misconduct on the part of the Trustee or Sponsor, as the case may be. That means the Sponsor may require the assets of a Fund to be sold in order to cover losses or liability suffered by the Sponsor or by the Trustee. Any sale of that kind would reduce the NAV of the Fund and the value of its Shares.

The Shares of a Fund are limited liability investments; Shareholders may not lose more than the amount that they invest plus any profits recognized on their investment. However, Shareholders could be required, as a matter of bankruptcy law, to return to the estate of the Fund any distribution they received at a time when the Fund was in fact insolvent or in violation of its Trust Agreement.

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The price relationship between the near month Commodity Futures Contract to expire and the Benchmark Component Futures Contracts for each Fund, or the Underlying Funds in the case of TAGS, will vary and may impact both a Fund s total return over time and the degree to which such total return tracks the total return of the specific commodity price indices. In cases in which the near month contract s price is lower than later-expiring contracts prices (a situation known as contango in the futures markets), then absent the impact of the overall movement in the commodity specific prices the value of the Benchmark Component Futures Contracts would tend to decline as they approach expiration which could cause the Benchmark Component Futures Contracts, and therefore the Fund s total return, to track lower. In cases in which the near month contract s price is higher than later-expiring contracts prices (a situation known as backwardation in the futures markets), then absent the impact of the overall movement in commodity specific prices, the value of the Benchmark Component Futures Contracts would tend to rise as they approach expiration.

While it is expected that the trading prices of the Shares will fluctuate in accordance with the changes in a Fund s NAV, the prices of Shares may also be influenced by various market factors, including but not limited to, the number of shares of the Fund outstanding and the liquidity of the underlying. There is no guarantee that the Shares will not trade at appreciable discounts from, and/or premiums to, the Fund s NAV. This could cause the changes in the price of the Shares to substantially vary from the changes in the spot price of the underlying commodity, even if a Fund s NAV was closely tracking movements in the spot price of that commodity. If this occurs, you may incur a partial or complete loss of your investment.

Investors, including those who directly participate in the specific commodity market, may choose to use a Fund as a vehicle to hedge against the risk of loss, and there are risks involved in hedging activities. While hedging can provide protection against an adverse movement in market prices, it can also preclude a hedger s opportunity to benefit from a favorable market movement.

While it is not the current intention of the Funds to take physical delivery of any Commodity under its Commodity Interests, Commodity Futures Contracts are traditionally physically-deliverable contracts, and, unless a position was traded out of, it is possible to take or make delivery under these and some Other Commodity Interests. Storage costs associated with purchasing the specific commodity could result in costs and other liabilities that could impact the value of the Commodity Futures Contracts or certain Other Commodity Interests. Storage costs include the time value of money invested in the physical commodity plus the actual costs of storing the commodity less any benefits from ownership that are not obtained by the holder of a futures contract. In general, Commodity Futures Contracts have a one-month delay for contract delivery and the pricing of back month contracts (the back month is any future delivery month other than the spot month) includes storage costs. To the extent that these storage costs change for the commodity while a Fund holds the Commodity Interests, the value of the Commodity Interests, and therefore the Fund s NAV, may change as well.

The design of each Fund s Benchmark is such that the Benchmark Component Futures Contracts change throughout the year, and the Fund s investments must be rolled periodically to reflect the changing composition of the Benchmark. For example, when the second-to-expire Commodity Futures Contract becomes the first-to-expire contract, such contract will no longer be a Benchmark Component Futures Contract and the Fund s position in it will no longer be consistent with tracking the Benchmark. In the event of a commodity futures market where near-to-expire contracts trade at a higher price than longer-to-expire contracts, a situation referred to as backwardation, then absent the impact of the overall movement in the specific commodity prices of the Fund, the value of the Benchmark Component Futures Contracts would tend to rise as they approach expiration. As a result, a Fund may benefit because it would be selling more expensive contracts and buying less expensive ones on an ongoing basis. Conversely, using corn as an example, in the event of a corn futures market where near-to-expire contracts trade at a lower price than longer-to-expire contracts, a situation referred to as contango, then absent the impact of the overall movement in corn

prices the value of the Benchmark Component Futures Contracts would tend to decline as they approach expiration. As a result, the Fund s total return may be lower than might otherwise be the case because it would be selling less expensive contracts and buying more expensive ones. The impact of backwardation and contango may lead the total return of a Fund to vary significantly from the total return of other price references, such as the spot price of the specific commodity. In the event of a prolonged period of contango, and absent the impact of rising or falling specific commodity prices, this could have a significant negative impact on a Fund s NAV and total return.

The Sponsor may use spreads and straddles as part of its overall trading strategy to closely follow the Benchmark. There is a risk that a Fund s NAV may not closely track the change in its Benchmark. Spreads combine simultaneous long and short positions in related futures contracts that differ by commodity, by market or by delivery month (for example, long April, short November). Spreads gain or lose value as a result of relative changes in price between the long and short positions. Spreads often reduce risk to investors because the contracts tend to move up or down together. However, both legs of the spread could move against an investor simultaneously, in which case the spread would lose value. Certain types of spreads may face unlimited risk, e.g., because the price of a futures contract underlying a short position can increase by an unlimited amount and the investor would have to take delivery or offset at that price. A commodity straddle takes both long and short option position in the same commodity in the same market and delivery month simultaneously. The buyer of a straddle profits if either the long or the short leg of the straddle moves further than the combined cost of both options. The seller of the straddle profits if both the long and short positions do not trade beyond a range equal to the combined premium for selling both options. If the Sponsor were to utilize a spread or straddle position and the position performed differently than expected, the results could impact that Fund s tracking error. This could affect the Fund s investment objective of having its NAV closely track the Benchmark. Additionally, a loss on the position would negatively impact the Fund s absolute return.

Position limits and daily price fluctuation limits set by the CFTC and the exchanges have the potential to cause tracking error, which could cause the price of Shares of the Fund to substantially vary from the Benchmark and prevent you from being able to effectively use the Fund as a way to hedge against underlying commodity-related losses or as a way to indirectly invest in the underlying commodity.

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The Trust Structure and the Trust Agreement Provide Limited Shareholder Rights

You will have no rights to participate in the management of any of the Funds and will have to rely on the duties and judgment of the Sponsor to manage the Funds.

As interests in separate series of a Delaware statutory trust, the Shares do not involve the rights normally associated with the ownership of shares of a corporation (including, for example, the right to bring shareholder oppression and derivative actions). In addition, the Shares have limited voting and distribution rights (for example, Shareholders do not have the right to elect directors, as the Trust does not have a board of directors, and generally will not receive regular distributions of the net income and capital gains earned by the Fund). The Funds are also not subject to certain investor protection provisions of the Sarbanes Oxley Act of 2002 and the NYSE Arca governance rules (for example, audit committee requirements).

Each Fund is a series of a Delaware statutory trust and not itself a legal entity separate from the other Funds. The Delaware Statutory Trust Act provides that if certain provisions are included in the formation and governing documents of a statutory trust organized in series and if separate and distinct records are maintained for any series and the assets associated with that series are held in separate and distinct records and are accounted for in such separate and distinct records separately from the other assets of the statutory trust, or any series thereof, then the debts, liabilities, obligations and expenses incurred by a particular series are enforceable against the assets of such series only, and not against the assets of the statutory trust generally or any other series thereof. Conversely, none of the debts, liabilities, obligations and expenses incurred with respect to any other series thereof is enforceable against the assets of such series. The Sponsor is not aware of any court case that has interpreted this inter-series limitation on liability or provided any guidance as to what is required for compliance. The Sponsor intends to maintain separate and distinct records for each Fund and account for each Fund separately from any other Trust series, but it is possible a court could conclude that the methods used do not satisfy the Delaware Statutory Trust Act, which would potentially expose assets in any Fund to the liabilities of one or more of the Funds and/or any other Trust series created in the future.

Neither the Sponsor nor the Trustee is obligated to, although each may, in its respective discretion, prosecute any action, suit or other proceeding in respect of any Fund property. The Trust Agreement does not confer upon Shareholders the right to prosecute any such action, suit or other proceeding.

Rapidly Changing Regulation May Adversely Affect the Ability of the Funds to Meet Their Investment Objectives

The regulation of futures markets, futures contracts, and futures exchanges has historically been comprehensive. The CFTC and the exchanges are authorized to take extraordinary actions in the event of a market emergency including, for example, the retroactive implementation of speculative position limits, increased margin requirements, the establishment of daily price limits and the suspension of trading on an exchange or a trading facility.

The regulation of commodity interest transactions in the United States is a rapidly changing area of law and is subject to ongoing modification by governmental and judicial action. Subsequent to the enactment of the Dodd-Frank Act in 2010, swap agreements became fully regulated by the CFTC under the amended Commodity Exchange Act and the CFTC's regulations thereunder. Considerable regulatory attention has been focused on non-traditional investment pools that are publicly distributed in the United States and that use trading in futures and options as an investment strategy and not for hedging or price discovery purposes, therefore altering traditional participation in futures and swaps markets. As the Dodd-Frank Act continues to be implemented by the CFTC and the SEC, there is a

possibility of future regulatory changes within the United States altering, perhaps to a material extent, the nature of an investment in the Funds, or the ability of a Fund to continue to implement its investment strategy. In addition, various national governments outside of the United States have expressed concern regarding the disruptive effects of speculative trading in the commodities markets and the need to regulate the derivatives markets in general. The effect of any future regulatory change on the Funds is impossible to predict but could be substantial and adverse.

Further, as the CFTC and the NFA continue implementing the Dodd-Frank Act, together with the SEC and FINRA, it is likely that regulations applicable to commodity pools, commodity pool operators and commodity trading advisors may change in the future. These regulatory changes may affect continued operation of the Funds. For additional information regarding recent regulatory developments that may impact the Funds or the Trust, refer to the section entitled Regulatory Considerations section of this document.

There Is No Assurance that There Will Be a Liquid Market for the Shares of the Funds or the Funds Underlying Investments, which May Mean that Shareholders May Not be Able to Sell Their Shares at a Market Price Relatively Close to the NAV

If a substantial number of requests for redemption of Redemption Baskets are received by a Fund during a relatively short period of time, the Fund may not be able to satisfy the requests from the Fund s assets not committed to trading. As a consequence, it could be necessary to liquidate the Fund s trading positions before the time that its trading strategies would otherwise call for liquidation.

A portion of a Fund s investments could be illiquid, which could cause large losses to investors at any time or from time to time.

A Fund may not always be able to liquidate its positions in its investments at the desired price. As to futures contracts, it may be difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in a market. Limits imposed by futures exchanges or other regulatory organizations, such as accountability levels, position limits and price fluctuation limits, may contribute to a lack of liquidity with respect to some exchange-traded commodity Interests. In addition, over-the-counter contracts may be illiquid because they are contracts between two parties and generally may not be transferred by one party to a third party without the counterparty s consent. Conversely, a counterparty may give its consent, but the Fund still may not be able to transfer an over-the-counter Commodity Interest to a third party due to concerns regarding the counterparty s credit risk.

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The exchanges set daily price fluctuation limits on futures contracts. The daily price fluctuation limit establishes the maximum amount that the price of futures contracts may vary either up or down from the previous day s settlement price. Once the daily price fluctuation limit has been reached in a particular futures contract, no trades may be made at a price beyond that limit.

On March 12, 2014, the CME announced that, subject to CFTC approval, it would replace its fixed price fluctuation limits with variable price limits. The change was approved and went into effect May 1, 2014. Using corn as an example, this change amended Appendix A, Chapter 10 (Corn Futures), Section 1012.D (Trading Specifications Daily Price Limits) to read as follows:

Daily price limits for Corn futures are reset every six months. The first reset date would be the first trading day in May based on the following: Daily settlement prices are collected for the nearest July contract over 45 consecutive trading days before and on the business day prior to April 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number rounded to the nearest 5 cents per bushel, or 20 cents per bushel, whichever is higher will be the new initial price limits for Corn futures and will become effective on the first trading day in May and will remain in effect through the last trading day in October.

The second reset date would be the first trading day in November based on the following: Daily settlement prices are collected for the nearest December contract over 45 consecutive trading days before and on the business day prior to October 16th. The average price is calculated based on the collected settlement prices and then multiplied by seven percent. The resulting number, rounded to the nearest 5 cents per bushel, or 20 cents per bushel, whichever is higher, will be the new initial price limits for Corn futures and will become effective on the first trading day in November and will remain in effect through the last trading day in next April.

There shall be no trading in Corn futures at a price more than the initial price limit above or below the previous day s settlement price. Should two or more Corn futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year, which is the September contract) settle at limit, the daily price limits for all contract months shall increase by 50 percent the next business day, rounded up to the nearest 5 cents per bushel. If no Corn futures contract month settles at the expanded limit the next business day, daily price limits for all contract months shall revert back to the initial price limit the following business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.

A market disruption, such as a foreign government taking political actions that disrupt the market in its currency, its commodity production or exports, or in another major export, can also make it difficult to liquidate a position. Unexpected market illiquidity may cause major losses to investors at any time or from time to time. In addition, no Fund intends at this time to establish a credit facility, which would provide an additional source of liquidity, but instead will rely only on the Treasury Securities, cash and/or cash equivalents that it holds to meet its liquidity needs. The anticipated large value of the positions in a specific Commodity Interest that the Sponsor will acquire or enter into for a Fund increases the risk of illiquidity. Because Commodity Interests may be illiquid, a Fund s holdings may be more difficult to liquidate at favorable prices in periods of illiquid markets and losses may be incurred during the period in which positions are being liquidated.

A Fund may invest in Other Commodity Interests. To the extent that these Other Commodity Interests are contracts individually negotiated between their parties, they may not be as liquid as Commodity Futures Contracts and will expose the Fund to credit risk that its counterparty may not be able to satisfy its obligations to the Fund.

The changing nature of the participants in the commodity specific market will influence whether futures prices are above or below the expected future spot price. Producers of the specific commodity will typically seek to hedge against falling commodity prices by selling Commodity Futures Contracts. Therefore, if commodity producers become the predominant hedgers in the futures market, prices of Commodity Futures Contracts will typically be below expected future spot prices. Conversely, if the predominant hedgers in the futures market are the purchasers of the commodity, who purchase Commodity Futures Contracts to hedge against a rise in prices, prices of the Commodity Futures Contracts will likely be higher than expected future spot prices. This can have significant implications for a Fund when it is time to sell a Commodity Futures Contract that is no longer a Benchmark Component Futures Contract and purchase a new Commodity Futures Contract or to sell a Commodity Futures Contract to meet redemption requests. A Fund may invest in Other Commodity Interests. To the extent that these Other Commodity Interests are contracts individually negotiated between their parties, they may not be as liquid as Commodity Futures Contracts and will expose the Fund to credit risk that its counterparty may not be able to satisfy its obligations to the Fund.

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A Fund s NAV includes, in part, any unrealized profits or losses on open swap agreements, futures or forward contracts. Under normal circumstances, the NAV reflects the quoted exchange settlement price of open futures contracts on the date when the NAV is being calculated. In instances when the quoted settlement price of a futures contract traded on an exchange may not be reflective of fair value based on market condition, generally due to the operation of daily limits or other rules of the exchange or otherwise, the NAV may not reflect the fair value of open future contracts on such date. For purposes of financial statements and reports, the Sponsor will recalculate the NAV where necessary to reflect the fair value of a Futures Contract when the Futures Contract closes at its price fluctuation limit for the day.

In the event that one or more Authorized Purchasers that are actively involved in purchasing and selling Shares cease to be so involved, the liquidity of the Shares will likely decrease, which could adversely affect the market price of the Shares and result in your incurring a loss on your investment. In addition, a decision by a market maker or lead market maker to cease activities for the Fund could adversely affect liquidity, the spread between the bid and ask quotes, and potentially the price of the Shares. The Sponsor can make no guarantees that participation by Authorized Purchasers or market makers will continue.

If a minimum number of Shares is outstanding for a Fund, market makers may be less willing to purchase Shares of that Fund in the secondary market which may limit your ability to sell Shares. There are a minimum number of baskets and associated Shares specified for each Fund. Once the minimum number of baskets is reached, there can be no more redemptions by an Authorized Purchaser of that Fund until there has been a Creation Basket. In such case, market makers may be less willing to purchase Shares of that Fund from investors in the secondary market, which may in turn limit the ability of Shareholders of that Fund to sell their Shares in the secondary market.

Trading in Shares of a Fund may be halted due to market conditions or, in light of NYSE Arca rules and procedures, for reasons that, in the view of the NYSE Arca, make trading in Shares inadvisable. In addition, trading is subject to trading halts caused by extraordinary market volatility pursuant to circuit breaker rules that require trading to be halted for a specified period based on a specified market decline. There can be no assurance that the requirements necessary to maintain the listing of the Shares will continue to be met or will remain unchanged. A Fund will be terminated if its Shares are delisted.

There is Credit Risk Associated with the Operation of the Funds, Service Providers and Counter-Parties Which May Cause an Investment Loss

For all of the Funds except for TAGS, the majority of each Fund s assets are held in short-term Treasury Securities, cash and/or cash equivalents with the Custodian or with one or more alternate financial institutions unrelated to the Custodian (each, a Financial Institution). Any cash or cash equivalents invested by a Fund will be rated in the highest short-term rating category by a nationally recognized statistical rating organization or will be deemed by the Sponsor to be of comparable quality.

The insolvency of the Custodian or any Financial Institution in which funds are deposited could result in a complete loss of a Fund s assets held by the Custodian or the Financial Institution, which, at any given time, would likely comprise a substantial portion of a Fund s total assets. Assets deposited with the Custodian or a Financial Institution will generally exceed federally insured limits. For TAGS, the vast majority of the Fund s assets are held in Shares of the Underlying Funds. The failure or insolvency of the Custodian or the Financial Institution could impact the ability to access in a timely manner TAGS assets held by the Custodian.

Under CFTC regulations, a clearing broker with respect to a Fund s exchange-traded Commodity Interests must maintain customers assets in a bulk segregated account. If a clearing broker fails to do so, or is unable to satisfy a substantial deficit in a customer account, its other customers may be subject to risk of a substantial loss of their funds

in the event of that clearing broker s bankruptcy. In that event, the clearing broker s customers, such as a Fund, are entitled to recover, even in respect of property specifically traceable to them, only a proportional share of all property available for distribution to all of that clearing broker s customers. A Fund also may be subject to the risk of the failure of, or delay in performance by, any exchanges and markets and their clearing organizations, if any, on which Commodity Interests are traded. From time to time, the clearing brokers may be subject to legal or regulatory proceedings in the ordinary course of their business. A clearing broker s involvement in costly or time-consuming legal proceedings may divert financial resources or personnel away from the clearing broker s trading operations, which could impair the clearing broker s ability to successfully execute and clear a Fund s trades. For additional information regarding recent regulatory developments that may impact the Funds or the Trust, refer to the section entitled Regulatory Considerations section of this document.

Commodity pools trading positions in futures contracts or other commodity interests are typically required to be secured by the deposit of margin funds that represent only a small percentage of a futures contract s (or other commodity interest s) entire market value. This feature permits commodity pools to leverage their assets by purchasing or selling futures contracts (or other commodity interests) with an aggregate notional amount in excess of the commodity pool s assets. While this leverage can increase a pool s profits, relatively small adverse movements in the price of a pool s commodity interests can cause significant losses to the pool. While the Sponsor does not intend to leverage the Funds assets, it is not prohibited from doing so under the Trust Agreement. If the Sponsor were to cause or permit a Fund to become leveraged, you could lose all or substantially all of your investment if the Fund s trading positions suddenly turns unprofitable.

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An exchange for related position (EFRP) can be used by the Fund as a technique to facilitate the exchanging of a futures hedge position against a creation or redemption order, and thus the Fund may use an EFRP transaction in connection with the creation and redemption of shares. The market specialist/market maker that is the ultimate purchaser or seller of shares in connection with the creation or redemption basket, respectively, agrees to sell or purchase a corresponding offsetting futures position which is then settled on the same business day as a cleared futures transaction by the FCMs. The Fund will become subject to the credit risk of the market specialist/market maker until the EFRP is settled or terminated. The Fund reports all activity related to EFRP transactions under the procedures and guidelines of the CFTC and the exchanges on which the futures are traded. EFRPs are subject to specific rules of the CME and CFTC guidance. It is likely that EFRP mechanisms will be subject to changes in the future which may make it uneconomical or impossible from the regulatory perspective to utilize this mechanism by the Funds.

A portion of the Fund s assets may be used to trade over-the-counter Commodity Interests, such as forward contracts or swaps. Currently, over-the-counter contracts are typically traded on a principal-to-principal non-cleared basis through dealer markets that are dominated by major money center and investment banks and other institutions and that prior to the passage of the Dodd-Frank Act had been essentially unregulated by the CFTC, although this is an area of pending, substantial regulatory change. The markets for over-the-counter contracts will continue to rely upon the integrity of market participants in lieu of the additional regulation imposed by the CFTC on participants in the futures markets. To date, the forward markets have been largely unregulated, except for anti-manipulation and anti-fraud prohibitions, forward contracts have been executed bi-laterally and, in general historically, forward contracts have not been cleared or guaranteed by a third party. On November 16, 2012, the Secretary of the Treasury issued a final determination that exempts both foreign exchange swaps and foreign exchange forwards from the definition of swap and, by extension, additional regulatory requirements (such as clearing and margin). The final determination does not extend to other FX derivatives, such as FX options, certain currency swaps, and non-deliverable forwards. While the Dodd-Frank Act and certain regulations adopted thereunder are intended to provide additional protections to participants in the over-the-counter market, the lack of regulation in these markets could expose the Fund in certain circumstances to significant losses in the event of trading abuses or financial failure by participants. While increased regulation of over-the-counter Commodity Interests is likely to result from changes that are required to be effectuated by the Dodd-Frank Act, there is no guarantee that such increased regulation will be effective to reduce these risks.

Each Fund faces the risk of non-performance by the counterparties to the over-the-counter contracts. Unlike in futures contracts, the counterparty to these contracts is generally a single bank or other financial institution, rather than a clearing organization backed by a group of financial institutions. As a result, there will be greater counterparty credit risk in these transactions. A counterparty may not be able to meet its obligations to a Fund, in which case the Fund could suffer significant losses on these contracts. If a counterparty becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, a Fund may experience significant delays in obtaining any recovery in a bankruptcy or other reorganization proceeding. During any such period, the Fund may have difficulty in determining the value of its contracts with the counterparty, which in turn could result in the overstatement or understatement of the Fund s NAV. The Fund may eventually obtain only limited recovery or no recovery in such circumstances.

Over-the-counter contracts may have terms that make them less marketable than Futures Contracts. Over-the-counter contracts are less marketable because they are not traded on an exchange, do not have uniform terms and conditions, and are entered into based upon the creditworthiness of the parties and the availability of credit support, such as collateral, and in general, they are not transferable without the consent of the counterparty. These conditions make such contracts less liquid than standardized futures contracts traded on a commodities exchange and diminish the ability to realize the full value of such contracts. In addition, even if collateral is used to reduce counterparty credit risk, sudden changes in the value of over-the-counter transactions may leave a party open to financial risk due to a

counterparty default since the collateral held may not cover a party s exposure on the transaction in such situations. In general, valuing OTC derivatives is less certain than valuing actively traded financial instruments such as exchange traded futures contracts and securities because the price and terms on which such OTC derivatives are entered into or can be terminated are individually negotiated, and those prices and terms may not reflect the best price or terms available from other sources. In addition, while market makers and dealers generally quote indicative prices or terms for entering into or terminating OTC contracts, they typically are not contractually obligated to do so, particularly if they are not a party to the transaction. As a result, it may be difficult to obtain an independent value for an outstanding OTC derivatives transaction.

There are Risks Associated with Trading in International Markets

A significant portion of the Futures Contracts entered into by the Funds is traded on United States exchanges. However, a portion of the Funds trades may take place on markets or exchanges outside the United States. Some non-U.S. markets present risks because they are not subject to the same degree of regulation as their U.S. counterparts. None of the CFTC, NFA, or any domestic exchange regulates activities of any foreign boards of trade or exchanges, including the execution, delivery and clearing of transactions, nor has the power to compel enforcement of the rules of a foreign board of trade or exchange or of any applicable non-U.S. laws. Similarly, the rights of market participants, such as the Funds, in the event of the insolvency or bankruptcy of a non-U.S. market or broker are also likely to be more limited than in the case of U.S. markets or brokers. As a result, in these markets, the Funds have less legal and regulatory protection than it does when they trade domestically. Currently the Funds do not place trades on any markets or exchanges outside of the United States and do not anticipate doing so in the foreseeable future. In some of these non-U.S. markets, the performance on a futures contract is the responsibility of the counterparty and is not backed by an exchange or clearing corporation and therefore exposes the Funds to credit risk. Additionally, trading on non-U.S. exchanges is subject to the risks presented by exchange controls, expropriation, increased tax burdens and exposure to local economic declines and political instability. An adverse development with respect to any of these variables could reduce the profit or increase the loss earned on trades in the affected international markets.

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The price of any non-U.S. Commodity Interest and, therefore, the potential profit and loss on such investment, may be affected by any variance in the foreign exchange rate between the time the order is placed and the time it is liquidated, offset or exercised. As a result, changes in the value of the local currency relative to the U.S. dollar may cause losses to a Fund even if the contract is profitable. The Funds invest primarily in Commodity Interests that are traded or sold in the United States. However, a portion of the trades for a Fund may take place in markets and on exchanges outside the United States. Some non-U.S. markets present risks because they are not subject to the same degree of regulation as their U.S. counterparts. In some of these non-U.S. markets, the performance on a contract is the responsibility of the counterparty and is not backed by an exchange or clearing corporation and therefore exposes a Fund to credit risk. Trading in non-U.S. markets also leaves a Fund susceptible to fluctuations in the value of the local currency against the U.S. dollar.

The CFTC's implementation of its regulations under the Dodd-Frank Act may further affect the ability of the Funds to enter into foreign exchange contracts and to hedge its exposure to foreign exchange loss.

Some non-U.S. exchanges also may be in a more developmental stage so that prior price histories may not be indicative of current price dynamics. In addition, a Fund may not have the same access to certain positions on foreign trading exchanges as do local traders, and the historical market data on which the Sponsor bases its strategies may not be as reliable or accessible as it is for U.S. exchanges.

The Funds are Treated as Partnerships for Tax Purposes which Means that There May be a Lack of Certainty as to Tax Treatment for an Investor s Gains and Losses

Cash or property will be distributed at the sole discretion of the Sponsor, and the Sponsor currently does not intend to make cash or other distributions with respect to Shares. You will be required to pay U.S. federal income tax and, in some cases, state, local, or foreign income tax, on your allocable share of a Fund s taxable income, without regard to whether you receive distributions or the amount of any distributions. Therefore, the tax liability resulting from your ownership of Shares may exceed the amount of cash or value of property (if any) distributed.

Due to the application of the assumptions and conventions applied by a Fund in making allocations for U.S. federal income tax purposes and other factors, your allocable share of the Fund s income, gain, deduction or loss may be different than your economic profit or loss from your Shares for a taxable year. This difference could be temporary or permanent and, if permanent, could result in your being taxed on amounts in excess of your economic income.

The Funds are treated as partnerships for United States federal income tax purposes. The U.S. tax rules pertaining to entities taxed as partnerships are complex and their application to publicly traded partnerships such as the Funds are in many respects uncertain. The Funds apply certain assumptions and conventions in an attempt to comply with the intent of the applicable rules and to report taxable income, gains, deductions, losses and credits in a manner that properly reflects Shareholders economic gains and losses. These assumptions and conventions may not fully comply with all aspects of the Internal Revenue Code (the Code) and applicable Treasury Regulations, however, and it is possible that the U.S. Internal Revenue Service (the IRS) will successfully challenge our allocation methods and require us to reallocate items of income, gain, deduction, loss or credit in a manner that adversely affects you. If this occurs, you may be required to file an amended tax return and to pay additional taxes plus deficiency interest.

The Trust has received an opinion of counsel that, under current U.S. federal income tax laws, the Funds will be treated as partnerships that are not taxable as corporations for U.S. federal income tax purposes, provided that (i) at least 90 percent of each Fund s annual gross income consists of qualifying income as defined in the Code, (ii) the Funds are organized and operated in accordance with its governing agreements and applicable law, and (iii) the Funds do not elect to be taxed as corporations for federal income tax purposes. Although the Sponsor anticipates that the Funds have satisfied and will continue to satisfy the qualifying income requirement for all of its taxable years, that

result cannot be assured. The Funds have not requested and will not request any ruling from the IRS with respect to its classification as partnerships not taxable as corporations for federal income tax purposes. If the IRS were to successfully assert that the Funds are taxable as corporations for federal income tax purposes in any taxable year, rather than passing through its income, gains, losses and deductions proportionately to Shareholders, each Fund would be subject to tax on its net income for the year at corporate tax rates. In addition, although the Sponsor does not currently intend to make distributions with respect to Shares, any distributions would be taxable to Shareholders as dividend income. Taxation of the Funds as corporations could materially reduce the after-tax return on an investment in Shares and could substantially reduce the value of your Shares.

Risks Specific to the Teucrium Corn Fund

Investors may choose to use the Fund as a means of investing indirectly in corn, and there are risks involved in such investments. The risks and hazards that are inherent in corn production may cause the price of corn to fluctuate widely. Price movements for corn are influenced by, among other things: weather conditions, crop failure, production decisions, governmental policies, changing demand, the corn harvest cycle, and various economic and monetary events. Corn production is also subject to U.S. federal, state and local regulations that materially affect operations.

The price movements for corn are influenced by, among other things, weather conditions, crop disease, transportation difficulties, various planting, growing and harvesting problems, governmental policies, changing demand, and seasonal fluctuations in supply. More generally, commodity prices may be influenced by economic and monetary events such as changes in interest rates, changes in balances of payments and trade, U.S. and international inflation rates, currency valuations and devaluations, U.S. and international economic events, and changes in the philosophies and emotions of market participants. Because the Fund invests primarily in interests in a single commodity, it is not a diversified investment vehicle, and therefore may be subject to greater volatility than a diversified portfolio of stocks or bonds or a more diversified commodity pool.

The Fund is subject to the risks and hazards of the corn market because it invests in Corn Interests. The risks and hazards that are inherent in the corn market may cause the price of corn to fluctuate widely. If the changes in percentage terms of the Fund s Shares accurately track the percentage changes in the Benchmark or the spot price of corn, then the price of its Shares will fluctuate accordingly.

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The price and availability of corn is influenced by economic and industry conditions, including but not limited to supply and demand factors such as: crop disease and infestation (including, but not limited to, Leaf Blight, Ear Rot and Root Rot); transportation difficulties; various planting, growing, or harvesting problems; and severe weather conditions (particularly during the spring planting season and the fall harvest) such as drought, floods, or frost that are difficult to anticipate and which cannot be controlled. Demand for corn in the United States to produce ethanol has also been a significant factor affecting the price of corn. In turn, demand for ethanol has tended to increase when the price of gasoline has increased, and has been significantly affected by United States governmental policies designed to encourage the production of ethanol. Recent changes in government policy have the potential to reduce the demand for ethanol over the next several years. Additionally, demand for corn is affected by changes in consumer tastes, national, regional and local economic conditions, and demographic trends. Finally, because corn is often used as an ingredient in livestock feed, demand for corn is subject to risks associated with the outbreak of livestock disease.

Corn production is subject to United States federal, state, and local policies and regulations that materially affect operations. Governmental policies affecting the agricultural industry, such as taxes, tariffs, duties, subsidies, incentives, acreage control, and import and export restrictions on agricultural commodities and commodity products, can influence the planting of certain crops, the location and size of crop production, the volume and types of imports and exports, the availability and competitiveness of feedstocks as raw materials, and industry profitability. Additionally, corn production is affected by laws and regulations relating to, but not limited to, the sourcing, transporting, storing, and processing of agricultural raw materials as well as the transporting, storing and distributing of related agricultural products. U.S. corn producers also must comply with various environmental laws and regulations, such as those regulating the use of certain pesticides, and local laws that regulate the production of genetically modified crops. In addition, international trade disputes can adversely affect agricultural commodity trade flows by limiting or disrupting trade between countries or regions.

Seasonal fluctuations in the price of corn may cause risk to an investor because of the possibility that Share prices will be depressed because of the corn harvest cycle. In the United States, the corn market is normally at its weakest point, and corn prices are lowest, shortly before and during the harvest (between September and November), due to the high supply of corn in the market. Conversely, corn prices are generally highest during the winter and spring (between December and May), when farmer-owned corn has largely been sold and used. Seasonal corn market peaks generally occur after planting is complete in May or June, and again as harvest begins around August. These normal market conditions are, however, often influenced by weather patterns, and domestic and global economic conditions, among others factors, and any specific year may not necessarily follow the traditional seasonal fluctuations described above. In the futures market, these seasonal fluctuations are typically reflected in contracts expiring in the relevant season (e.g., contracts expiring during the harvest season are typically priced lower than contracts expiring in the winter and spring). Thus, seasonal fluctuations could result in an investor incurring losses upon the sale of Fund Shares, particularly if the investor needs to sell Shares when the Benchmark Component Futures Contracts are, in whole or part, Corn Futures Contracts expiring in the fall.

The CFTC and U.S. designated contract markets such as the CBOT have established position limits on the maximum net long or net short futures contracts in commodity interests that any person or group of persons under common trading control (other than as a hedge, which an investment by the Fund is not) may hold, own or control. For example, the current position limit for investments at any one time in Corn Futures Contracts are 600 spot month contracts, 33,000 contracts expiring in any other single month, and 33,000 total for all months However, under rules proposed by the CFTC, Corn Futures Contracts, and over-the-counter corn contracts will be subject to a single position limit. These position limits are fixed ceilings that the Fund would not be able to exceed without specific CFTC authorization.

All of these limits may potentially cause a tracking error between the price of the Shares and the Benchmark. This may in turn prevent you from being able to effectively use the Fund as a way to hedge against corn-related losses or as

a way to indirectly invest in corn.

The Fund does not intend to limit the size of the offering and will attempt to expose substantially all of its proceeds to the corn market utilizing Corn Interests. If the Fund encounters position limits, accountability levels, or price fluctuation limits for Corn Futures Contracts on the CBOT, it may then, if permitted under applicable regulatory requirements, purchase Other Corn Interests and/or Corn Futures Contracts listed on foreign exchanges. However, the Corn Futures Contracts available on such foreign exchanges may have different underlying sizes, deliveries, and prices. In addition, the Corn Futures Contracts available on these exchanges may be subject to their own position limits and accountability levels. In any case, notwithstanding the potential availability of these instruments in certain circumstances, position limits could force the Fund to limit the number of Creation Baskets that it sells.

Risks Specific to the Teucrium Soybean Fund

Investors may choose to use the Fund as a means of investing indirectly in soybeans, and there are risks involved in such investments. The risks and hazards that are inherent in soybean production may cause the price of soybean to fluctuate widely. Global price movements for soybean are influenced by, among other things: weather conditions, crop failure, production decisions, governmental policies, changing demand, the soybean harvest cycle, and various economic and monetary events. Soybean production is also subject to domestic and foreign regulations that materially affect operations.

As discussed in more detail above, price movements for soybeans are influenced by, among other things, weather conditions, crop disease, transportation difficulties, various planting, growing and harvesting problems, governmental policies, changing demand, and seasonal fluctuations in supply. More generally, commodity prices may be influenced by economic and monetary events such as changes in interest rates, changes in balances of payments and trade, U.S. and international inflation rates, currency valuations and devaluations, U.S. and international economic events, and changes in the philosophies and emotions of market participants. Because the Fund invests primarily in interests in a single commodity, it is not a diversified investment vehicle, and therefore may be subject to greater volatility than a diversified portfolio of stocks or bonds or a more diversified commodity pool.

The Fund is subject to the risks and hazards of the soybean market because it invests in Soybean Interests. The risks and hazards that are inherent in the soybean market may cause the price of soybeans to fluctuate widely. If the changes in percentage terms of the Fund s Shares accurately track the percentage changes in the Benchmark or the spot price of soybeans, then the price of its Shares will fluctuate accordingly.

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The price and availability of soybeans is influenced by economic and industry conditions, including but not limited to supply and demand factors such as: crop disease; weed control; water availability; various planting, growing, or harvesting problems; severe weather conditions such as drought, floods, heavy rains, frost, or natural disasters that are difficult to anticipate and which cannot be controlled; uncontrolled fires, including arson; challenges in doing business with foreign companies; legal and regulatory restrictions; transportation costs; interruptions in energy supply; currency exchange rate fluctuations; and political and economic instability. Additionally, demand for soybeans is affected by changes in international, national, regional and local economic conditions, and demographic trends. The increased production of soybean crops in South America and the rising demand for soybeans in emerging nations such as China and India have increased competition in the soybean market.

The supply of soybeans could be reduced by the spread of soybean rust. Soybean rust is a wind-borne fungal disease that attacks soybeans. Although soybean rust can be killed with chemicals, chemical treatment increases production costs for farmers.

Soybean production is subject to United States and foreign policies and regulations that materially affect operations. Governmental policies affecting the agricultural industry, such as taxes, tariffs, duties, subsidies, incentives, acreage control, and import and export restrictions on agricultural commodities and commodity products, can influence the planting of certain crops, the location and size of crop production, the volume and types of imports and exports, and industry profitability. Additionally, soybean production is affected by laws and regulations relating to, but not limited to, the sourcing, transporting, storing and processing of agricultural raw materials as well as the transporting, storing and distributing of related agricultural products. Soybean producers also may need to comply with various environmental laws and regulations, such as those regulating the use of certain pesticides. In addition, international trade disputes can adversely affect agricultural commodity trade flows by limiting or disrupting trade between countries or regions.

Because processing soybean oil can create trans-fats, the demand for soybean oil may decrease due to heightened governmental regulation of trans-fats or trans-fatty acids. The U.S. Food and Drug Administration currently requires food manufacturers to disclose levels of trans-fats contained in their products, and various local governments have enacted or are considering restrictions on the use of trans-fats in restaurants. Several food processors have either switched or indicated an intention to switch to oil products with lower levels of trans-fats or trans-fatty acids.

In recent years, there has been increased global interest in the production of biofuels as alternatives to traditional fossil fuels and as a means of promoting energy independence. Soybeans can be converted into biofuels such as biodiesel. Accordingly, the soybean market has become increasingly affected by demand for biofuels and related legislation.

The costs related to soybean production could increase and soybean supply could decrease as a result of restrictions on the use of genetically modified soybeans, including requirements to segregate genetically modified soybeans and the products generated from them from other soybean products.

Seasonal fluctuations in the price of soybeans may cause risk to an investor because of the possibility that Share prices will be depressed because of the soybean harvest cycle. In the futures market, fluctuations are typically reflected in contracts expiring in the harvest season (i.e., contracts expiring during the fall are typically priced lower than contracts expiring in the winter and spring). Thus, seasonal fluctuations could result in an investor incurring losses upon the sale of Fund Shares, particularly if the investor needs to sell Shares when the Benchmark Component Futures Contracts are, in whole or part, Soybean Futures Contracts expiring in the fall.

The CFTC and U.S. designated contract markets have established position limits on the maximum net long or net short futures contracts in commodity interests that any person or group of persons under common trading control

(other than as a hedge, which an investment by the Fund is not) may hold, own or control. For example, the current position limit for investments at any one time in the Soybean Futures Contracts are 600 spot month contracts, 15,000 contracts expiring in any other single month, and 15,000 total for all months. However, under rules proposed by the CFTC, Soybean Futures Contracts and over-the-counter soybean contracts will be subject to a single position limit. These position limits are fixed ceilings that the Fund would not be able to exceed without specific CFTC authorization.

All of these limits may potentially cause a tracking error between the price of the Shares and the Benchmark. This may in turn prevent you from being able to effectively use the Fund as a way to hedge against soybean-related losses or as a way to indirectly invest in soybeans.

If the Fund encounters position limits or price fluctuation limits for Soybean Futures Contracts on the CBOT, it may then, if permitted under applicable regulatory requirements, purchase Other Soybean Interests and/or Soybean Futures Contracts listed on foreign exchanges. However, the Soybean Futures Contracts available on such foreign exchanges may have different underlying sizes, deliveries, and prices. In addition, the Soybean Futures Contracts available on these exchanges may be subject to their own position limits or similar restrictions. In any case, notwithstanding the potential availability of these instruments in certain circumstances, position limits could force the Fund to limit the number of Creation Baskets that it sells.

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Risks Specific to the Teucrium Sugar Fund

Investors may choose to use the Fund as a means of investing indirectly in sugar, and there are risks involved in such investments. The risks and hazards that are inherent in sugar production may cause the price of sugar to fluctuate widely. Global price movements for sugar are influenced by, among other things: weather conditions, crop failure, production decisions, governmental policies, changing demand, the sugar harvest cycle, and various economic and monetary events. Sugar production is also subject to domestic and foreign regulations that materially affect operations.

As discussed in more detail above, price movements for sugar are influenced by, among other things, weather conditions, crop disease, transportation difficulties, various planting, growing and harvesting problems, governmental policies, changing demand, and seasonal fluctuations in supply. More generally, commodity prices may be influenced by economic and monetary events such as changes in interest rates, changes in balances of payments and trade, U.S. and international inflation rates, currency valuations and devaluations, U.S. and international economic events, and changes in the philosophies and emotions of market participants. Because the Fund invests primarily in interests in a single commodity, it is not a diversified investment vehicle, and therefore may be subject to greater volatility than a diversified portfolio of stocks or bonds or a more diversified commodity pool.

The Fund is subject to the risks and hazards of the world sugar market because it invests in Sugar Interests. The two primary sources for the production of sugar are sugarcane and sugar beets, both of which are grown in various countries around the world. The risks and hazards that are inherent in the world sugar market may cause the price of sugar to fluctuate widely. If the changes in percentage terms of the Fund s Shares accurately track the percentage changes in the Benchmark or the spot price of sugar, then the price of its Shares will fluctuate accordingly.

The global price and availability of sugar is influenced by economic and industry conditions, including but not limited to supply and demand factors such as: crop disease; weed control; water availability; various planting, growing, or harvesting problems; severe weather conditions such as drought, floods, or frost that are difficult to anticipate and which cannot be controlled; uncontrolled fires, including arson; challenges in doing business with foreign companies; legal and regulatory restrictions; fluctuation of shipping rates; currency exchange rate fluctuations; and political and economic instability. Global demand for sugar to produce ethanol has also been a significant factor affecting the price of sugar. Additionally, demand for sugar is affected by changes in consumer tastes, national, regional and local economic conditions, and demographic trends. The spread of consumerism and the rising affluence of emerging nations such as China and India have created demand for sugar. An influx of people in developing countries moving from rural to urban areas may create more disposable income to be spent on sugar products, and might also reduce sugar production in rural areas on account of worker shortages, all of which would result in upward pressure on sugar prices. On the other hand, public health concerns regarding obesity, heart disease and diabetes, particularly in developed countries, may reduce demand for sugar. In light of the time it takes to grow sugarcane and sugar beets and the cost of new facilities for processing these crops, it may not be possible to increase supply quickly or in a cost-effective manner in response to an increase in demand for sugar.

Sugar production is subject to United States and foreign policies and regulations that materially affect operations. Governmental policies affecting the agricultural industry, such as taxes, tariffs, duties, subsidies, incentives, acreage control, and import and export restrictions on agricultural commodities and commodity products, can influence the planting of certain crops, the location and size of crop production, the volume and types of imports and exports, and industry profitability. Many foreign countries subsidize sugar production, resulting in lower prices, but this has led other countries, including the United States, to impose tariffs and import restrictions on sugar imports. Sugar producers also may need to comply with various environmental laws and regulations, such as those regulating the use of certain pesticides.

Seasonal fluctuations in the price of sugar may cause risk to an investor because of the possibility that Share prices will be depressed because of the sugar harvest cycle. In the futures market, contracts expiring during the harvest season are typically priced lower than contracts expiring in the winter and spring. While the sugar harvest seasons varies from country to country, prices of Sugar Futures Contracts tend to be lowest in the late spring and early summer, reflecting the harvest season in Brazil, the world s leading producer of sugarcane. Thus, seasonal fluctuations could result in an investor incurring losses upon the sale of Fund Shares, particularly if the investor needs to sell Shares when the Benchmark Component Futures Contracts are, in whole or part, Sugar Futures Contracts expiring in the late spring or early summer.

U.S. designated contract markets such as the ICE Futures and the NYMEX have established position limits and accountability levels on the maximum net long or net short Sugar Futures Contracts that any person or group of persons under common trading control may hold, own or control. The CFTC has not currently set position limits for Sugar Futures Contracts, and the ICE Futures and the NYMEX have established position limits only on spot month Sugar No. 11 Futures Contracts. For example, the ICE Futures position limit for Sugar No. 11 Futures Contracts is 5,000 spot month contracts, whereas the NYMEX Sugar No. 11 Futures limit is 1,000 contracts, generally applicable only during the last month before expiration and limits on 9,000 contracts for a single month or cumulative amount. All Sugar Futures Contracts held under the control of the Sponsor, including those held by any future series of the Trust, will be aggregated in determining the application of these position limits. However, because spot month contracts are not Benchmark Component Futures Contracts and the Fund s roll strategy calls for the sale of all spot month Sugar No.11 Futures Contracts prior to the time the position limits would become applicable, it is unlikely that position limits on Sugar Futures Contracts will come into play.

NYMEX has designated position limits on NYMEX No. 11 Sugar futures of 1,000 contracts for Expiration Month. In addition, accountability levels of 9,000 contracts for any one month and a maximum of 9,000 contracts for all combined months have been established.

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In contrast to position limits, accountability levels are not fixed ceilings, but rather thresholds above which an exchange may exercise greater scrutiny and control over an investor, including by imposing position limits on the investor. For example, the current ICE Futures-established accountability level for investments in Sugar No. 11 Futures Contracts for any one month is 10,000, and the accountability level for all combined months is 15,000. (The current accountability level for Sugar No. 11 Futures Contracts traded on the NYMEX is 9,000 for any one month, and 9,000 for all combined months, and ICE Futures has established no accountability level with regard to Sugar No. 16 Futures Contracts. However, ICE Futures has established position limits for Sugar No. 16 Futures Contracts of 1,000 for any one month, and 1,000 for all combined months.) However, under rules proposed by the CFTC, Sugar Futures Contracts and over-the-counter sugar contracts will be subject to a single position limit. Even though accountability levels are not fixed ceilings, the Fund does not intend to invest in Sugar Futures Contracts in excess of any applicable accountability levels.

All of these limits may potentially cause a tracking error between the price of the Shares and the Benchmark. This may in turn prevent you from being able to effectively use the Fund as a way to hedge against sugar-related losses or as a way to indirectly invest in sugar.

If the Fund encounters accountability levels, position limits, or price fluctuation limits for Sugar Futures Contracts on ICE Futures, it may then, if permitted under applicable regulatory requirements, purchase Other Sugar Interests and/or Sugar Futures Contracts listed on the NYMEX or foreign exchanges. However, the Sugar Futures Contracts available on such foreign exchanges may have different underlying sizes, deliveries, and prices. In addition, the Sugar Futures Contracts available on these exchanges may be subject to their own position limits and accountability levels. In any case, notwithstanding the potential availability of these instruments in certain circumstances, position limits could force the Fund to limit the number of Creation Baskets that it sells.

Risks Specific to the Teucrium Wheat Fund

Investors may choose to use the Fund as a means of investing indirectly in wheat, and there are risks involved in such investments. The risks and hazards that are inherent in wheat production may cause the price of wheat to fluctuate widely. Price movements for wheat are influenced by, among other things: weather conditions, crop failure, production decisions, governmental policies, changing demand, the wheat harvest cycle, and various economic and monetary events. Wheat production is also subject to U.S. federal, state and local regulations that materially affect operations.

As discussed in more detail above, price movements for wheat are influenced by, among other things, weather conditions, crop disease, transportation difficulties, various planting, growing and harvesting problems, governmental policies, changing demand, and seasonal fluctuations in supply. More generally, commodity prices may be influenced by economic and monetary events such as changes in interest rates, changes in balances of payments and trade, U.S. and international inflation rates, currency valuations and devaluations, U.S. and international economic events, and changes in the philosophies and emotions of market participants. Because the Fund invests primarily in interests in a single commodity, it is not a diversified investment vehicle, and therefore may be subject to greater volatility than a diversified portfolio of stocks or bonds or a more diversified commodity pool.

The Fund is subject to the risks and hazards of the wheat market because it invests in Wheat Interests. The risks and hazards that are inherent in the wheat market may cause the price of wheat to fluctuate widely. If the changes in percentage terms of the Fund s Shares accurately track the percentage changes in the Benchmark or the spot price of wheat, then the price of its Shares will fluctuate accordingly.

The price and availability of wheat is influenced by economic and industry conditions, including but not limited to supply and demand factors such as: crop disease; weed control; water availability; various planting, growing, or harvesting problems; severe weather conditions such as drought, floods, or frost that are difficult to anticipate and which cannot be controlled. Demand for food products made from wheat flour is affected by changes in consumer tastes, national, regional and local economic conditions, and demographic trends. More specifically, demand for such food products in the United States is relatively unaffected by changes in wheat prices or disposable income, but is closely tied to tastes and preferences. For example, in recent years the increase in the popularity of low-carbohydrate diets caused the consumption of wheat flour to decrease rapidly before rebounding somewhat after 2005. Export demand for wheat fluctuates yearly, based largely on crop yields in the importing countries.

Wheat production is subject to United States federal, state and local policies and regulations that materially affect operations. Governmental policies affecting the agricultural industry, such as taxes, tariffs, duties, subsidies, incentives, acreage control, and import and export restrictions on agricultural commodities and commodity products, can influence the planting of certain crops, the location and size of crop production, the volume and types of imports and exports, the availability and competitiveness of feedstocks as raw materials, and industry profitability. Additionally, wheat production is affected by laws and regulations relating to, but not limited to, the sourcing, transporting, storing and processing of agricultural raw materials as well as the transporting, storing and distributing of related agricultural products. U.S. wheat producers also must comply with various environmental laws and regulations, such as those regulating the use of certain pesticides, and local laws that regulate the production of genetically modified crops. In addition, international trade disputes can adversely affect agricultural commodity trade flows by limiting or disrupting trade between countries or regions.

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Seasonal fluctuations in the price of wheat may cause risk to an investor because of the possibility that Share prices will be depressed because of the wheat harvest cycle. In the United States, the market for winter wheat, the type of wheat upon which CBOT Wheat Futures Contracts are based, is at its lowest point, and wheat prices are lowest, shortly before and during the harvest (in the spring or early summer), due to the high supply of wheat in the market. Conversely, winter wheat prices are generally highest in the fall or early winter, when the wheat harvested that year has largely been sold and used. In the futures market, these seasonal fluctuations are typically reflected in contracts expiring in the relevant season (e.g., contracts expiring during the harvest season are typically priced lower than contracts expiring in the fall and early winter). Thus, seasonal fluctuations could result in an investor incurring losses upon the sale of Fund Shares, particularly if the investor needs to sell Shares when the Benchmark Component Futures Contracts are, in whole or part, Wheat Futures Contracts expiring in the spring.

Position limits and daily price fluctuation limits set by the CFTC and the exchanges have the potential to cause tracking error, which could cause the price of Shares to substantially vary from the Benchmark and prevent you from being able to effectively use the Fund as a way to hedge against wheat-related losses or as a way to indirectly invest in wheat.

The CFTC and U.S. designated contract markets such as the CBOT have established position limits on the maximum net long or net short futures contracts in commodity interests that any person or group of persons under common trading control (other than as a hedge, which an investment by the Fund is not) may hold, own or control. For example, the current position limit for investments at any one time in CBOT Wheat Futures Contracts are 600 spot month contracts, 12,000 contracts expiring in any other single month and 12,000 contracts total for all months. However, under rules proposed by the CFTC, Wheat Futures Contracts and over-the-counter wheat contracts will be subject to a single position limit. These position limits are fixed ceilings that the Fund would not be able to exceed without specific CFTC authorization.

If the Fund encounters position limits, accountability levels, or price fluctuation limits for Wheat Futures Contracts on the CBOT, it may then, if permitted under applicable regulatory requirements, purchase Other Wheat Interests and/or Wheat Futures Contracts listed on foreign exchanges. However, the Wheat Futures Contracts available on such foreign exchanges may have different underlying sizes, deliveries, and prices. In addition, the Wheat Futures Contracts available on these exchanges may be subject to their own position limits and accountability levels. In any case, notwithstanding the potential availability of these instruments in certain circumstances, position limits could force the Fund to limit the number of Creation Baskets that it sells.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) None.

(b) On July 31, 2010, for all Funds listed below except the Teucrium Agricultural Fund for which the contribution was made on April 1, 2011, the Sponsor made the following capital contributions and received the following shares for that contribution prior to each Fund s commencement of operations; such shares were sold in private offerings exempt from registration under Section 4(2) of the Securities Act of 1933, as amended:

1. a $100 capital contribution to the Teucrium Soybean Fund, another series of the Trust, in exchange for four shares of such fund;
2. a $100 capital contribution to the Teucrium Sugar Fund, another series of the Trust, in exchange for four shares of such fund; and
3. a $100 capital contribution to the Teucrium Wheat Fund, another series of the Trust, in exchange for four shares of such fund.
4. a $100 capital contribution to the Teucrium Agricultural Fund, another series of the Trust, in exchange for two

shares of such fund.

The original registration statement on Form S-1 registering 30,000,000 common units, or Shares, of the Teucrium Corn Fund (File No. 333-162033) was declared effective on June 7, 2010. A second registration statement on Form S-1 (File No. 333-187463) which replaced the original registration statement was declared effective on April 30, 2013 and a third (File No. 333-210010) was declared effective on April 29, 2016. From June 9, 2010 (the commencement of operations) through June 30, 2016, 12,300,000 Shares of the Fund were sold at an aggregate offering price of $417,152,172. The Fund paid fees to Foreside Fund Services, LLC for its services to the Fund through June 30, 2016 in an amount equal to $700,656, resulting in net offering proceeds of $416,451,516. The offering proceeds were invested in corn futures contracts and cash and cash equivalents in accordance with the Fund s investment objective stated in the prospectus.

The original registration statement on Form S-1 registering 10,000,000 common units, or Shares, of Teucrium Soybean Fund (File No. 333-167590) was declared effective on June 17, 2011. A second registration statement on Form S-1 (File No. 333-196210) which replaced the original registration statement was declared effective on June 30, 2014. From September 19, 2011 (the commencement of the offering) through June 30, 2016, 1,800,000 Shares of the Fund were sold at an aggregate offering price of $40,334,501 The Fund paid fees to Foreside Fund Services, LLC for its services to the Fund through June 30, 2016 in an amount equal to $60,200, resulting in net offering proceeds of $40,274,301 The offering proceeds were invested in soybean futures contracts and cash and cash equivalents in accordance with the Fund s investment objective stated in the prospectus.

The original registration statement on Form S-1 registering 10,000,000 common units, or Shares, of Teucrium Sugar Fund (File No. 333-167585) was declared effective on June 17, 2011. A second registration statement on Form S-1 (File No. 333-196211) which replaced the original registration statement was declared effective on June 30, 2014. From September 19, 2011 (the commencement of the offering) through June 30, 2016, 1,050,000 Shares of the Fund were sold at an aggregate offering price of $15,568,093. The Fund paid fees to Foreside Fund Services, LLC for its services to the Fund through June 30, 2016 in an amount equal to $26,794, resulting in net offering proceeds of $15,541,299. The offering proceeds were invested in sugar futures contracts and cash and cash equivalents in accordance with the Fund s investment objective stated in the prospectus.

The original registration statement on Form S-1 registering 10,000,000 common units, or Shares, of Teucrium Wheat Fund (File No. 333-167591) was declared effective on June 17, 2011. A second registration statement on Form S-1 (File No. 333-196209) which replaced the original registration statement was declared effective on June 30, 2014. A third registration statement on Form S-1 (File No. 333-212481) which registered a total of 25,350,000 shares was declared effective on July 15, 2016. From September 19, 2011 (the commencement of the offering) through June 30, 2016, 6,850,000 Shares of the Fund were sold at an aggregate offering price of $84,623,235. The Fund paid fees to Foreside Fund Services, LLC for its services to the Fund through June 30, 2016 in an amount equal to $114,270, resulting in net offering proceeds of $84,508,965. The offering proceeds were invested in wheat futures contracts and cash and cash equivalents in accordance with the Fund s investment objective stated in the prospectus.

The original registration statement on Form S-1 registering 5,000,000 common units, or Shares, of Teucrium Agricultural Fund (File No. 333-173691) was declared effective on February 10, 2012. A second registration statement on Form S-1 (File No. 333-201953) which replaced the original registration statement was declared effective on April 30, 2015. From March 28, 2012 (the commencement of the offering) through June 30, 2016, 350,000 Shares of the Fund were sold at an aggregate offering price of $17,706,578. The Fund paid fees to Foreside Fund Services, LLC for its services to the Fund through June 30, 2016 in an amount equal to $7,330, resulting in net offering proceeds of $17,699,248. The offering proceeds were invested in Shares of the Underlying Funds and cash and cash equivalents in accordance with the Fund s investment objective stated in the prospectus.

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Issuer Purchases of CORN Shares:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 to April 30, 2016	-	$ -	N/A	N/A
May 1 to May 31, 2016	-	$ -	N/A	N/A
June 1 to June 30, 2016	225,000	$ 22.52	N/A	N/A
Total	225,000	$ 22.52		

Issuer Purchases of SOYB Shares:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 to April 30, 2016	50,000	$ 18.50	N/A	N/A
May 1 to May 31, 2016	-	$ -	N/A	N/A
June 1 to June 30, 2016	50,000	$ 20.59	N/A	N/A
Total	250,000	$ 19.54		

Issuer Purchases of CANE Shares: Nothing to Report

Issuer Purchases of WEAT Shares: Nothing to Report

Issuer Purchases of TAGS Shares: Nothing to Report

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

(a) None.

(b) Not Applicable.

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Item 6. Exhibits

The following exhibits are filed as part of this report as required under Item 601 of Regulation S-K:

31.1	Certification by the Principal Executive Officer of the Registrant pursuant to Rules 13a-14 and 15d-14 of the Exchange Act. (1)
31.2	Certification by the Principal Financial Officer of the Registrant pursuant to Rules 13a-14 and 15d-14 of the Exchange Act. (1)
32.1	Certification by the Principal Executive Officer of the Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (1)
32.2	Certification by the Principal Financial Officer of the Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (1)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

(1) Filed herewith.

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SIGNATURES

Pursuant to the requirements 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.

Teucrium Commodity Trust (Registrant)

By: Teucrium Trading, LLC its Sponsor

By: /s/ Barbara Riker
Name: Barbara Riker
Chief Financial Officer

Date: August 9, 2016

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