

BRAINSTORM CELL THERAPEUTICS INC.  
Form 424B3  
August 12, 2014

**Filed Pursuant to Rule 424(b)(3)**

**Registration Statement No. 333-179331**

**Prospectus Supplement No. 9**

**(to Prospectus dated July 19, 2012, as supplemented by Prospectus Supplement No. 1 dated August 16, 2013, Prospectus Supplement No. 2 dated August 16, 2013, Prospectus Supplement No. 3 dated August 16, 2013, Prospectus Supplement No. 4 dated August 16, 2013, Prospectus Supplement No. 5 dated August 16, 2013, Prospectus Supplement No. 6 dated November 14, 2013, Prospectus Supplement No. 7 dated March 27, 2014 and Prospectus Supplement No. 8 dated May 13, 2014)**

**BRAINSTORM CELL THERAPEUTICS INC.**

**19,818,972 Shares of Common Stock**

**Warrants to Purchase 14,864,229 Shares of Common Stock**

**and**

**14,864,229 Shares of Common Stock Underlying Warrants**

This prospectus supplement, together with the prospectus listed above, is to be used by certain holders of the above-referenced securities or by their pledgees, donees, transferees or other successors-in-interest in connection with the offer and sale of such securities.

This prospectus supplement updates and should be read in conjunction with the prospectus dated July 19, 2012 (as supplemented to date), which is to be delivered with this prospectus supplement. Such documents contain information that should be considered when making your investment decision. To the extent there is a discrepancy between the information contained herein and the information in the prospectus, the information contained herein supersedes and replaces such conflicting information.

This prospectus supplement consists of Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission (the "Commission") on August 12, 2014 (the "Form 10-Q").

Our common stock is traded on the OTCQB Marketplace, operated by OTC Markets Group, under the symbol "BCLI". On August 11, 2014, the last reported sales price for our common stock was \$0.293 per share. 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.

**Investing in the Company's securities involves risks. See "Risk Factors" beginning on page 4 of the Prospectus, as supplemented or amended by the prospectus supplements filed to date, to read about factors you should consider.**

**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 Supplement No. 9 is August 12, 2014

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2014

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-54365

**BRAINSTORM CELL THERAPEUTICS INC.**

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	20-8133057 (I.R.S. Employer Identification No.)
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605 Third Avenue, 34th Floor	10158
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New York, NY

(Zip Code)

(Address of principal executive offices)

(646) 666-3188

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

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

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  (Do not check if a smaller reporting company) Smaller reporting company

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

As of August 4, 2014, the number of shares outstanding of the registrant's Common Stock, \$0.00005 par value per share, was 227,355,671.



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**PART I: FINANCIAL INFORMATION**

**SPECIAL NOTE**

*Unless otherwise specified in this quarterly report on Form 10-Q, all references to currency, monetary values and dollars set forth herein shall mean United States (U.S.) dollars.*

**Item 1. Financial Statements.**

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

**CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF June 30, 2014**

**UNAUDITED**

**U.S. DOLLARS IN THOUSANDS**

**BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY**

(A development stage company)

**CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF June 30, 2014**

**UNAUDITED**

U.S. DOLLARS IN THOUSANDS

**INDEX**

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BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

(Except share data)

	June 30, 2 0 1 4 Unaudited	December 31, 2 0 1 3 Audited
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	11,328	3,503
Account receivable	831	910
Prepaid expenses	48	33
Total current assets	12,207	4,446
Long-Term Assets:		
Prepaid expenses	15	22
Total long-term investments	15	22
Property and Equipment, Net	302	258
Total assets	12,524	4,726
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities:		
Trade payables	757	228
Accrued expenses	755	877
Other accounts payable	270	227
Total current liabilities	1,782	1,332
Long-Term Liabilities:		
Warrants issued to investors	142	655
Total long-term liabilities	142	655

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Total liabilities	1,924	1,987
Stockholders' Equity:		
Stock capital: (Note 6)	10	8
Common stock of \$0.00005 par value - Authorized: 800,000,000 shares at June 30, 2014 and December 31, 2013; Issued and outstanding: 225,472,618 and 176,263,587 shares at June 30, 2014 and December 31, 2013 respectively.		
Additional paid-in-capital	67,092	55,138
Deficit accumulated during the development stage	(56,502 )	(52,407 )
Total stockholders' equity	10,600	2,739
Total liabilities and stockholders' equity	12,524	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)

	Six months ended June 30,		Three months ended June 30,	
	2014	2013	2014	2013
	Unaudited		Unaudited	
Operating costs and expenses:				
Research and development, net	1,557	\$1,264	\$877	\$742
General and administrative	768	1,302	417	743
Total operating costs and expenses	2,325	2,566	1,294	1,485
Financial expenses, net	1,770	16	690	15
Other income	-	-	-	-
Operating loss	4,095	2,582	1,984	1,500
Taxes on income	-	18	-	18
Net loss	\$4,095	\$2,600	\$1,984	\$1,518
Basic and diluted net loss per share from continuing operations	0.02	0.02	0.01	0.01
Weighted average number of shares outstanding used in computing basic and diluted net loss per share	181,307,151	151,754,312	186,253,752	152,546,703

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

U.S. dollars in thousands

(Except share data)

	Common stock		Additional	Deferred	Deficit	Total
	Number	Amount	paid-in	Stock - based	accumulated	stockholders'
			capital	compensation	during the	equity
					development	
					stage	
<b>Balance as of December 31, 2012</b>	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 )
<b>Balance as of December 31, 2013</b>	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.**

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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	Deferred	Deficit	Total
	Number	Amount	paid-in	Stock -	during the	stockholders'
		capital		based	development	equity
				compensati	stage	
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	-	-	298	-	-	298
Issuance of shares for private placement	42,000,000	2	9,656	-	-	9,658
Stock issued for warrants exchange	5,831,031	(*)	1,633	-	-	1,633
Warrants liability classified as equity	-	-	42	-	-	42
Exercise of warrants	838,000	-	215	-	-	215
Net loss	-	-	-	-	(4,095 )	(4,095 )
Balance as of June 30, 2014	225,472,618	\$ 10	\$ 67,092	-	\$ (56,502 )	\$ 10,600

\* 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)

	Six months ended		Three months ended	
	June 30,	June 30,	June 30,	June 30,
	2014	2013	2014	2013
	Unaudited	Unaudited	Unaudited	Unaudited
Cash flows from operating activities:				
Net loss	\$(4,095)	\$(2,600)	\$(1,984)	\$(1,518)
Less - loss for the period from discontinued operations				
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization of deferred charges	50	50	25	17
Expenses related to shares and options granted to service providers	110	202	-	74
Amortization of deferred stock-based compensation related to options granted to employees	298	514	176	311
Decrease (increase) in accounts receivable and prepaid expenses	64	33	(53 )	(95 )
Increase in trade payables and convertible note	529	15	431	127
Increase (decrease) in other accounts payable and accrued expenses	(79 )	53	(256 )	21
Revaluation of warrants	1,762	-	691	-
Total net cash used in operating activities	\$(1,361)	\$(1,733)	\$(970 )	\$(1,063)

**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)

	Six months ended June 30, 2 0 1 4    2 0 1 3 Unaudited		Three months ended June 30, 2 0 1 4    2 0 1 3 Unaudited	
Cash flows from investing activities:				
Purchase of property and equipment	(94 )	(66 )	-	(46 )
Changes in short-term deposit	-	989		(8 )
Investment in lease deposit	7	(9 )	(2 )	(3 )
Total net (cash used) in provided by investing activities	\$(87 )	\$914	\$(2 )	\$(57 )
Cash flows from financing activities:				
Proceeds from issuance of Common stock, net	9,658	250	9,658	-
Proceeds from exercise of warrants and options	215	7	215	7
Redemption of warrants in cash	(600 )	-	(600 )	-
Total net cash provided by financing activities	9,273	257	9,273	7
Increase (decrease) in cash and cash equivalents	7,825	(562 )	8,301	(1,113)
Cash and cash equivalents at the beginning of the period	3,503	1,317	3,027	1,868
Cash and cash equivalents at end of the period	\$11,328	\$755	\$11,328	\$755
Non-cash financing activities:				
Stock issued for warrants exchange	1,633	-	1,633	-
Warrants liability classified as equity	42	-	42	-
Total non-cash financing activities	\$1,675	-	\$1,675	-

**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.

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.

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.

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.):

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.

W. On June 2, 2014, the Company announced that interim results from the Company's Phase IIa ALS trial conducted at Hadassah Medical Center in Jerusalem, Israel were presented on June 1, 2014 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.

X. On June 6, 2014, the Company announced that its Phase II ALS clinical trial has now commenced with the enrollment of the first patient at Massachusetts General Hospital (MGH) in Boston, Massachusetts. 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 University of Massachusetts Memorial (UMass) Hospital in Worcester, Massachusetts and the Mayo Clinic in Rochester, Minnesota.

Y. On June 10, 2014, the Company announced that 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.

Z. On June 24, 2014, BCT signed a definitive agreement with the University of Massachusetts Memorial (UMass) Hospital in Worcester, MA to conduct a Phase II clinical trial of NurOwn™ in ALS.

AA. On July 1, 2014, BCT signed a definitive agreement with Professional Research Consulting Clinical Inc., CA ("PRC"), to monitor the Phase II clinical trial of NurOwn™ in ALS.



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.):

**GOING CONCERN:**

As reflected in the accompanying financial statements, the Company's operations for the six months ended June 30, 2014, resulted in a net loss of \$1,785. 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 June 2014, the Company raised \$10.5 million, gross, in a private offering (See Note 6B 1(g)). As of June 30, 2014 the Company has resources to carry out its operation in the upcoming year. 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.

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 June 30, 2014 and for the six 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 six months ended June 30, 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:

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

U.S. dollars in thousands

(Except share data)

Notes to Consolidated Financial Statements

NOTE 4 - RESEARCH AND LICENSE AGREEMENT (Cont.):

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%  
b) 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

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  
A. consulting services in consideration for a monthly payment of \$6 each. 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.

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

On November 13, 2013, the Company approved grants of an aggregate 450,000 shares of Common Stock to the  
C. 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 90,000 shares of Common Stock to the  
D. 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:

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 (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 May 2015 the warrants were extended by additional 18 months, through November 5, 2017.

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(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.):

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

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.

In February 2010, the Company issued 6,000,000 shares of Common Stock to three investors (2,000,000 to each (b) 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).

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 (c) 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.

On February 4, 2013, the Company issued 126,111 shares of Common Stock to an investor, according to a (d) 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 February 7, 2013, the Company issued 833,334 units to a private investor for total proceeds of \$250. Each unit (e) 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 August 16, 2013, the Company raised \$4 million (gross) through a registered public offering (“2013 Public (f) 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

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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.):

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.

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.

On May 27, 2014 the Company entered into agreements with certain holders of warrants originally issued in the Company's August 16, 2013 public offering to repurchase outstanding 2013 Warrants entitling the holders to purchase an aggregate of 4,998,529 shares of Company common stock, \$0.00005 par value for an aggregate of approximately \$600,000. Each share of Common Stock issuable pursuant to the 2013 Warrants was repurchased for \$0.12 cash payment by the Company per Warrant Share. Warrants participating in the Redemption were cancelled and of no further force and effect.

In May 2014, 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.

After the balance sheet date, in July 2014, the Company signed an amendment to certain warrants originally issued in the Company's August 16, 2013 public offering and did not participate in the Redemption, to adjust the exercise price of the warrants to \$0.035 per share.

As of June 30, 2014, the fair value of such warrants was presented as a liability at its fair value \$107.



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NOTE 6 - STOCK CAPITAL (Cont.):

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

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

(g) On June 19, 2014, the Company entered into agreements with a group of investors, including several healthcare-focused funds effected a private placement of the Company's common stock, \$0.00005 par value per share, and warrants to purchase Common Stock. The Company received gross proceeds of \$10.5 million, resulting from the issuance and sale of 42,000,000 shares of Common Stock at a price per share of \$0.25. The investors received warrants to purchase up to 42,000,000 shares of Common Stock at an exercise price of \$0.348 per share. The Warrants are exercisable immediately upon closing of the private placement and have a term of three years. After deducting closing costs and fees, the Company received net proceeds of approximately \$9.7 million. After the balance sheet date, on July 24, 2014, the Company filed with the Securities and Exchange Commission a resale registration statement on Form S-1 to register the shares of Common Stock issued on June 19, 2014 private placement.

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.

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.

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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.):

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.

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.

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

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.

On April 25, 2014, the Agreement among the Company, Prof. Abraham Israeli and Hadasit was terminated. As a result of the termination, 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.

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 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 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.

On June 6, 2014, the Company entered into an employment agreement which sets forth the terms of its COO employment. The COO also was granted a stock option under the Company's Amended and Restated 2004 Global Share Option 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 option grant is \$0.18 per share. The total related compensation, in the amount of \$55 was recorded as general and administrative expense.

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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 9, 2014, the Company hired a new CEO. The CEO was granted a stock option for the purchase of 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 (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 this grant is \$0.30 per share. The total related compensation, in the amount of \$1,494 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 six months ended June 30, 2014	
Amount of options	Weighted average exercise price	Aggregate intrinsic value
	\$	\$

Outstanding at beginning of period	6,185,831	0.1705	
Granted	6,500,000	0.2769	
Exercised	-	-	
Cancelled	(997,500 )	0.1417	
Outstanding at end of period	11,688,331	0.2321	1,494,389
Vested and expected-to-vest at end of period	5,605,831	0.1683	1,074,789

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 June 30, 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 June 30, 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:

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.

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.

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" (EITF 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, 2013 and 2014 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
Nov-Dec 2004	14,600,845	14,396,010	204,835	-	0.00005-0.01	-	-
Feb-Dec 2005	3,058,471	373,000	2,548,308	137,163	0.15 - 2.5	137,163	Jun - Dec 2015
Feb-Dec 2006	1,686,355	727,696	478,659	480,000	0.005 - 1.5	480,000	Feb - May 2016
Mar-Nov 2007	2,703,300		1,003,300	1,700,000	0.15 - 0.47	1,700,000	Mar 2017 - Oct 2017
Nov 2008	100,000			100,000	0.15	100,000	Sep-18
Apr-Oct 2009	400,000	100,000		300,000	0.067 - 0.1	300,000	Apr 2019 - Oct 2019
Aug 2007- Jan 2011	30,250,000			30,250,000	0.2-0.29	30,250,000	Nov-17
Jan 2010	1,250,000		1,250,000	-	0.5	-	-
Feb 2010	125,000	125,000		-	0.01	-	-
Feb 2010	3,000,000		3,000,000				