BRAINSTORM CELL THERAPEUTICS INC.
Form 10-Q
November 16, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015

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

For the transition period from _____ to _____

Commission File Number 001-36641

BRAINSTORM CELL THERAPEUTICS INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	20-7273918 (I.R.S. Employer Identification No.)
3 University Plaza Drive, Suite 320	07601
Hackensack, NJ	(Zip Code)

(Address of principal executive offices)

(201) 488-0460

(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 x 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 x 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 x

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

As of November 6, 2015, the number of shares outstanding of the registrant’s Common Stock, $0.00005 par value per share, was 18,498,289.

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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 SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2015

UNAUDITED

U.S. DOLLARS IN THOUSANDS

BRAINSTORM CELL THERAPEUTICS INC. AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2015

(UNAUDITED)

INDEX

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

(Except share and per share data)

	September 30, 2015 Unaudited	December 31, 2014 Audited
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 710	$ 4,251
Short-term bank deposits (Note 6)	16,441	4,290
Account receivable	823	1,005
Prepaid expenses	117	52
Total current assets	18,091	9,598
Property and Equipment, Net	268	313
Total assets	$ 18,359	$ 9,911
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payables	$ 335	$ 1,542
Accrued expenses	2,308	1,347
Other accounts payable	195	224
Total current liabilities	2,838	3,113
Long-Term Liabilities:		
Warrants issued to investors	-	123
Total long-term liabilities	-	123
Total liabilities	$ 2,838	$ 3,236
Stockholders' Equity:		
Stock capital: (Note 7)	13	11
Common stock of $0.00005 par value - Authorized: 100,000,000 and 800,000,000 shares as of September 30, 2015 and December 31, 2014 respectively; Issued and		

outstanding: 18,480,957 and 15,281,497shares as of September 30, 2015 and December 31, 2014 respectively.		
Additional paid-in-capital	84,265	68,317
Accumulated deficit	(68,757)	(61,653)
Total stockholders' equity	15,521	6,675
Total liabilities and stockholders' equity	$ 18,359	$ 9,911

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands

(Except share and per share data)

	Nine months ended September 30,		Three months ended September 30,	
	2015	2014	2015	2014
	Unaudited		Unaudited	
Operating expenses:				
Research and development, net	$4,123	$3,129	$1,503	$1,572
General and administrative	3,016	1,626	1,068	858
Operating loss	(7,139)	(4,755)	(2,571)	(2,430)
Financial (income) expenses, net	(35)	1,761	32	(9)
Net loss	$(7,104)	$(6,516)	$(2,603)	$(2,421)
Basic and diluted net profit (loss) per share	$(0.39)	$(0.50)	$(0.14)	$(0.16)
Weighted average number of shares outstanding used in computing basic and diluted net loss per share	18,354,580	13,122,133	18,480,957	15,158,411

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in	Accumulated	Total stockholders'
	Number	Amount	capital	deficit	equity
Balance as of January 1, 2014	11,750,881	$ 8	$ 55,138	$ (52,407)	$ 2,739
Stock-based compensation related to warrants and stock granted to service providers	53,419	-	198	-	198
Stock-based compensation related to stock and options granted to directors and employees	50,667	-	1,024	-	1,024
Issuance of shares for private placement	2,800,000	3	9,551	-	9,554
Stock issued for warrants exchange	388,735	(*)	1,633	-	1,633
Warrants liability classified as equity	-	-	42	-	42
Exercise of warrants	180,018	(*)	701	-	701
Exercise of options	57,777	(*)	30		30
Net loss	-	-	-	(9,246)	(9,246)
Balance as of December 31, 2014	15,281,497	$ 11	$ 68,317	$ (61,653)	$ 6,675

* Represents an amount less than $1.

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

U.S. dollars in thousands

(Except share data)

	Common stock		Additional paid-in	Accumulated	Total stockholders'
	Number	Amount	capital	deficit	equity
Balance as of January 1, 2015	15,281,497	$ 11	$ 68,317	$ (61,653)	$ 6,675
Stock-based compensation related to warrants and stock granted to service providers	27,411	-	108	-	108
Stock-based compensation related to stock and options granted to directors and employees	60,000	-	955	-	955
Exercise and reissuance of warrants	2,546,667	2	12,407	-	12,409
Exercise of liability classified warrants	29,000	(*)	145	-	145
Exercise of equity classified warrants	536,382	(*)	2,333	-	2,333
Net loss	-	-	-	(7,104)	(7,104)
Balance as of September 30, 2015	18,480,957	$ 13	$ 84,265	$ (68,757)	$ 15,521

* Represents an amount less than $1.

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

U.S. dollars in thousands

	Nine months ended September 30,		Three months ended September 30,	
	2015	2014	2015	2014
Cash flows from operating activities:				
Net loss	$ (7,104)	$ (6,516)	$ (2,603)	$ (2,421)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization of deferred charges	73	80	26	30
Expenses related to shares and options granted to service providers	108	186	-	76
Amortization of deferred stock-based compensation related to options granted to employees and directors	955	578	287	280
Decrease (increase) in accounts receivable and prepaid expenses	119	405	(552)	341
Increase (decrease) in trade payables	(1,207)	1,076	(420)	547
Increase (decrease) in other accounts payable and accrued expenses	932	(13)	732	66
Revaluation of warrants	7	1,724	-	(38)
Total net cash used in operating activities	$ (6,117)	$ (2,480)	$ (2,530)	$ (1,119)

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

U.S. dollars in thousands

	Nine months ended September 30,		Three months ended September 30,	
	2015	2014	2015	2014
Cash flows from investing activities:				
Purchase of property and equipment	(28)	(94)	(12)	-
Changes in short-term deposit	12,151))	(1,600)	1,953	(1,600)
Investment in lease deposit	(2)	1	(2)	(6)
Total net cash used in investing activities	$(12,181)	$(1,693)	$1,939	$(1,606)
Cash flows from financing activities:				
Proceeds from issuances of common stock through equity warrants and options exercises	2,348	685	-	470
Proceeds from issuance of Common stock, net	-	9,554	-	(104)
Proceeds from equity offering through issuances of equity warrants and common stock through the exercise of previously issued equity warrants	12,409	-	-	-
Redemption of warrants in cash	-	(600)	-	-
Total net cash provided by financing activities	$14,757	9,639	$-	366
Increase (decrease) in cash and cash equivalents	(3,541)	5,466	(591)	(2,359)
Cash and cash equivalents at the beginning of the period	$4,251	3,503	1,301	11,328
Cash and cash equivalents at end of the period	$710	$8,969	$710	$8,969
Non-cash financing activities:				
Stock issued for warrants exchange	-	1,633	-	-
Warrants liability classified as equity	130	42	-	-
Total non-cash financing activities	$130	$1,675	-	$-

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARIES

U.S. dollars in thousands

(Except share and per share amounts)

Notes to the Interim Condensed 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. The Company currently holds two wholly owned subsidiaries; Brainstorm Cell Therapeutics Ltd. ("BCT"), an Israeli Company which currently conducts all of the research and development activities of the Company, and Brainstorm Cell Therapeutics UK Ltd. (“Brainstorm UK”). Brainstorm UK acts on behalf of the parent Company in the EU. Brainstorm UK is currently inactive.

The Common Stock is publicly traded on the NASDAQ Capital Market under the symbol “BCLI”.

B. The Company, through BCT, holds rights to commercialize certain stem cell technology developed by Ramot of Tel Aviv University Ltd. ("Ramot"), (see Note 4). Using this technology the Company has been developing novel adult stem cell therapies for debilitating neurodegenerative disorders such as Amytrophic Lateral Scelorosis (ALS, also known as Lou Gherig Disease) , Multiple Sclerosis (MS) and Parkinson’s disease. The Company developed a proprietary process, called NurOwn, for the propagation of Mesenchymal Stem Cells and their differentiation into neurotrophic factor secreting cells. These cells are then transplanted at or near the site of damage, offering the hope of more effectively treating neurodegenerative diseases.

The process is currently autologous, or self-transplanted.

C. NurOwn is in clinical development for the treatment of ALS. The Company has completed two single dose clinical trials of NurOwn in Israel, a phase 1/2 trial with 12 patients and a phase 2a trial with additional 12 patients and the Company is now conducting a phase 2 trial in three major medical centers in the US. This single dose trial includes 48 patients randomized in a 3:1 ratio to receive NuOwn or placebo. The Company expects results from this trial in the summer of 2016. Future development of NurOwn for ALS will require additional clinical trials, including probably phase 3 trials, typically required to provide an adequate basis for regulatory approval and product labeling. These additional trials will include the administration of repeated doses to ALS patients enrolled in these trials.

D. On September 15, 2014 the Company completed a reverse stock split of the Company's shares of Common Stock by a ratio 1-for-15. The Company adjusted all ordinary shares, options, warrants, per share data and exercise prices included in these financial statements for all periods presented to reflect the reverse stock split. On August 26, 2015 the shareholders of the Company approved a reduction of the number of authorized shares of Common Stock of the Company from 800,000,000 to 100,000,000.

NOTE 2 - GOING CONCERN:

To date the Company has not generated any revenues from its activities and has incurred substantial operating losses. Management expects the Company to continue to generate substantial operating losses and to continue to fund its operations primarily through utilization of its current financial resources and through additional raises of capital. In the first nine months of 2015 net cash inflows from issuances of common stock through the exercise of equity warrants as well as from issuances of new equity warrants amounted to approximately $14.8 million, net. Management believes that the Company's current resources are sufficient to fund its operations for the next 12 months, however there can be no assurance that additional funds necessary for the Company's long term operations will be available on terms acceptable to the Company, or that the Company will not incur additional unforeseen costs or expenses. Such conditions raise substantial doubts about the Company's long term ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of such uncertainties. 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.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARIES

U.S. dollars in thousands

(Except share and per share amounts)

Notes to the Interim Condensed Consolidated Financial Statements

NOTE 3 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES.

a. Unaudited Interim Financial Statements

The accompanying unaudited interim condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of U.S. Securities and Exchange Commission Regulation S-X. 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 considered necessary for a fair presentation have been included (consisting only of normal recurring adjustments except as otherwise discussed).

For further information, reference is made to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Operating results for the three and nine months ended September 30, 2015, are not necessarily indicative of the results that may be expected for the year ended December 31, 2015.

b. Significant Accounting Policies

The significant accounting policies followed in the preparation of these unaudited interim condensed consolidated financial statements are identical to those applied in the preparation of the latest annual financial statements.

c. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

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.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARIES

U.S. dollars in thousands

(Except share and per share amounts)

Notes to the Interim Condensed Consolidated Financial Statements

NOTE 5 - SHORT TERM INVESTMENTS

Short term investments on September 30, 2015 include bank deposits bearing annual interest rates varying from 0.1% to 0.89%, with maturities of up to 6 and 5 months as of September 2015 and December 2014, respectively.

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 publicly traded on the NASDAQ Capital Market under the symbol BCLI.

B. Issuance of shares, warrants and options:

1. Private placements and public offering:
2.

(a) In July 2007, the Company entered into an investment agreement, that was amended in August 2009 with a company under the control of Mr. Chaim Lebovits, according to which for an aggregate consideration of approximately $5 million the Company issued 2,777,777 shares of Common Stock and a warrant to purchase 672,222 shares of Common Stock at an exercise price of $3 per share and a warrant to purchase 1,344,444 shares

of common stock at an exercise price of $4.35 per share. The warrants are exercisable 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.

Mr. Lebovits has served as the President of the Company since July 2007 and in addition has served as Chief Executive Officer from August 2013 until June 2014. On September 28, 2015 Mr. Lebovits was reappointed as Chief Executive Officer of the Company.

In addition, the Company issued an aggregate of 83,333 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.

(b) In February 2010, the Company issued an aggregate 399,999 shares of Common Stock and warrants to purchase an aggregate of 199,998 shares of Common Stock with an exercise price of $7.50 per share for aggregate proceeds of $1.5 million.

(c) On July 17, 2012, the Company raised a $5.7 million of gross proceeds through a public offering ("2012 Public Offering") of its common stock and warrants to purchase common stock. The Company issued a total of 1,321,265 shares of common stock ($4.35 per share), and thirty month warrants to purchase 990,949 shares of Common Stock at an exercise price of $4.35 per share.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARIES

U.S. dollars in thousands

(Except share and per share amounts)

Notes to the Interim Condensed Consolidated Financial Statements

NOTE 6 - STOCK CAPITAL (Cont.):

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

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

After deducting closing costs and fees, the Company received net proceeds of approximately $4.9 million.

The Company paid to the placement agent, a cash fee and a corporate finance fee equal to 7% of the gross proceeds of the offering. In addition, the Company issued to the placement agent a two year warrant to purchase up to 32,931 shares of Common Stock, with an exercise price equal to $5.22.

(d) On February 7, 2013, the Company issued 55,556 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 $7.5 per share exercisable for 32 months.

(e) On August 16, 2013, the Company raised $4 million, gross, through a registered public offering ("2013 Public Offering") of its Common Stock and the issuance of warrants to purchase Common Stock. The Company issued a total of 1,568,628 Common Stock, ($2.55 per share) and three year warrants to purchase 1,176,471 shares of Common Stock, at an exercise price of $3.75 per share (the "2013 Warrants"). The Warrants also included, 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. 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 some of holders of the 2013 Warrants to exchange warrants to purchase an aggregate of 777,471 shares of Company common stock for an aggregate of 388,735 unregistered shares of Common Stock.

On May 27, 2014 the Company entered into agreements with certain warrant holders to redeem “2013 warrants” to purchase 333,235 shares of Company common stock, in consideration for approximately $600 payable in cash ($1.80 per Warrant)..

In May 2014, certain holders of 2013 Warrants which did not participate in the redemption and whose 2013 Warrants will therefore remained outstanding waived the anti-dilution provisions of their 2013 Warrants.

In July 2014, the Company agreed to adjust the exercise price of the remaining “2013 Warrants”, to $0.525 per share.

On January 6, 2015, the remaining “2013 Warrants” holders that did not provide a waiver of their anti-dilution rights, exercised their warrants. Therefore, the liability related to the 2013 Warrants has been cancelled.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARIES

U.S. dollars in thousands

(Except share and per share amounts)

Notes to the Interim Condensed Consolidated Financial Statements

NOTE 6 - STOCK CAPITAL (Cont.):

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

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

(f) On June 13, 2014, the Company raised gross proceeds of $10.5 million through a private placement of the Company's Common Stock and warrants purchase Common Stock. The Company issued 2.8 million shares of Common Stock at a price per share of $3.75 and three year warrants to purchase up to 2.8 million shares of Common Stock at an exercise price of $5.22 per share.

(g) Pursuant to a Warrant Exercise Agreement, dated January 8, 2015, holders of the Company's warrants (issued in June 2014) to purchase an aggregate of 2,546,667 shares of the Company's Common Stock at an exercise price of $5.22 per share, agreed to exercise their 2014 Warrants in full and the Company agreed to issue new warrants to the holders to purchase up to an aggregate of approximately 3.8 million unregistered shares of Common Stock at an exercise price of $6.50 per share. The $6.50 warrants expire in June 2018. Gross proceeds from the exercise of the warrants was approximately $13.3 million. In connection with the Exercise Agreement, the Company agreed to pay to the Placement Agency a cash fee equal to 6.0% of the Exercise Proceeds, as well as fees and expenses of the Placement Agency of $20. In addition, the Company issued the Placement Agency a warrant to purchase 38,000 shares of Common Stock upon substantially the same terms as the New Warrants. Net of fees and related expenses the proceeds from the warrant exercise amounted to approximately $12.4 million.

NOTE 6 - STOCK CAPITAL (Cont.):

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

2. Share-based compensation to employees and to 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 609,564 shares of Common Stock for issuance in the aggregate under these stock plans.

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 333,333, 333,333 and 600,000 shares, respectively

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 expired on November 25, 2014 and March 28, 2015, respectively.

On August 14, 2014, the Company's stockholders approved the 2014 Global Share Option Plan and the Israeli Appendix thereto (which applies solely to participants who are residents of Israel) and the 2014 Stock Incentive Plan.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARIES

U.S. dollars in thousands

(Except share and per share amounts)

Notes to the Interim Condensed 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 total 600,000 shares of Common Stock were reserved for issuance in the aggregate under these stock plans.

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. Any options that are canceled or forfeited before expiration become available for future grants.

From 2005 through 2009, the Company granted its directors options to purchase an aggregate of 53,333 shares of Common Stock of the Company at an exercise price of $2.25 per share. The options are fully vested and will expire 10 years from the date of issuance.

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.

Accordingly, the Company granted to Prof. Israeli in each of April 2010, June 2011, April 2012 and April 2013, an option to purchase 11,111 shares of Common Stock at an exercise price equal to $0.00075 per share.

In addition, the Company granted Hadasit, in each of April 2010, June 2011, April 2012, and April 2013, a warrant to purchase 2,222 shares of Common Stock at an exercise price equal to $0.00075 per share.

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, an option to purchase 20,000 shares of its Common Stock at an exercise price of $0.00075 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 ceased to vest. The grants were valid until and exercisable only on or before October 25, 2014.

In October 2014, Prof Israeli exercised his option to purchase 44,444 shares of Common Stock of the Company, and Hadasit exercised its warrants to purchase 8,889 shares of Common Stock of the Company.

On December 16, 2010, the Company granted to two of its directors fully vested options to purchase an aggregate of 26,667 shares of Common Stock at an exercise price of $2.25 per share.

On August 22, 2011, the Company entered into an agreement one of its directors pursuant to which the Company granted the director 61,558 shares of restricted

Common Stock of the Company. The shares vested through August 22, 2014. In addition, the Company is paying the director $15 per quarter his services.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARIES

U.S. dollars in thousands

(Except share and per share amounts)

Notes to the Interim Condensed 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.):

On May 3, 2015 the Company granted to this director 60,000 shares of restricted Common Stock. The shares will vest in three installments through August 27, 2017.

On August 1, 2012, the Company granted to three of its directors options to purchase an aggregate of 30,667 shares of Common Stock of the Company at $2.25 per share.

On April 19, 2013, the Company granted to three of its directors options to purchase an aggregate of 30,667 shares of Common Stock of the Company at $2.25 per share. In addition the Company issued to two of its directors and four of its Advisory Board members a total of 50,667 restricted shares of Common Stock. The Options and restricted shares vested over 12 months.

On June 6, 2014, the Company granted its Chief Operating Officer a fully vested option to purchase 33,333 shares of the Company’s common stock. The exercise price of the grant was $2.70 per share.

On June 9, 2014, the Company’s former Chief Executive Officer was granted a stock option for the purchase of 380,000 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 for the CEO Grant is $4.5 per share. On November 10, 2015 the Company and the former CEO agreed that the

unvested portion of the option as of October 30, 2015 (to purchase 253,333 shares) will be forfeited and that the vested potion of the option (to purchase 126,667 shares) will terminate on September 30, 2016.

On August 15, 2014, the Company issued to two of its directors and four of its Advisory Board members a total of 50,667 restricted shares of Common Stock. The shares vested over 12 months.

On October 31, 2014, the Company granted to four of its directors options to purchase an aggregate of 70,666 shares of Common Stock of the Company at $0.75 per share. The options vest over 12 months.

On June 1, 2015, the Company granted to a director fully vested options to purchase an aggregate of 6,667 shares of Common Stock of the Company at $0.75 per share.

On July 30, 2015 the Company’s newly appointed Chief Financial Officer was granted an option to purchase 165,000 shares of Common Stock at an exercise price of $3.17 per share. The option will vest over 3 years.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARIES

U.S. dollars in thousands

(Except share and per share amounts)

Notes to the Interim Condensed 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.):

On August 27, 2015 the Company granted to four of its seven directors options to purchase an aggregate of 70,665 shares of Common Stock at an exercise price of $0.75 per share, and granted to two of itsdirectors an aggregate of 17,332 shares of restricted Common Stock. The options and restricted Common Stock will vest through August 27, 2016.

On September 28, 2015 the Company granted to its newly appointed Chief Executive Officer an option to purchase 369,619 shares of Common Stock at an exercise price of $2.45 per share. The option will vest through August 28, 2016.

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

	For the nine months ended September 30, 2015		
	Amount of options	Weighted average exercise price $	Aggregate intrinsic value $
Outstanding at beginning of period	792,110	3.4545	
Granted	611,952	2.4293	
Exercised	-	-	
Cancelled	(16,778)	5.0692	
Outstanding at end of period	1,387,284	2.9828	0
Vested and expected-to-vest at end of period	539,107	2.8029	0

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 September 30, 2015 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 September 30, 2015.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARIES

U.S. dollars in thousands

(Except share and per share amounts)

Notes to the Interim Condensed Consolidated Financial Statements

NOTE 6 - STOCK CAPITAL (Cont.):

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

2. Shares and warrants to investors and service providers: (Cont.):

(a) Warrants to investors and service providers and investors: (Cont.):

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 2013, 2014 and 2015 using Black-Scholes calculation.

Issuance date	Number of warrants issued	**Exercised**	**Forfeited**	**Outstanding**	Exercise Price $	Warrants exercisable	Exercisable through
Nov-Dec 2004	973,390	959,734	13,656	-	0.00075 - 0.15	-	-
Feb-Dec 2005	203,898	32,011	171,887	-	2.25 - 37.5	-	-
Feb-Dec 2006	112,424	48,513	31,911	32,000	0.075 – 22.5	32,000	Feb - May 2016
Mar-Nov 2007	180,220	-	66,887	113,333	2.25 - 7.05	113,333	Mar 2017 – Oct 2017
Nov 2008	6,667	-	-	6,667	2.25	6,667	Sep-18
Apr-Oct 2009	26,667	6,667	-	20,000	1.005 – 1.5	20,000	Apr 2019 – Oct 2019
Aug 2007- Jan 2011	2,016,667	-	-	2,016,667	3 - 4.35	2,016,667	Nov-17
Jan 2010	83,333	-	83,333	-	7.5	-	-
Feb 2010	8,333	8,333	-	-	0.15	-	-

Feb 2010	200,000	-	200,000	-	7.5	-	-
Feb 2010	100,000	-	100,000	-	0.015	-	-
Feb 2011	42,735	-	42,735	-	5.85	-	-
Feb 2011	427,167	63,122	364,044	-	4.2	-	-
Feb 2011	854,333	-	854,333	-	7.5	-	-
Jul 2012	32,931	-	32,931	-	5.22	-	-
Jul 2012	990,949	687,037	303,911	-	4.35	-	-
Feb 2013	55,556	-	-	55,556	7.5	55,556	Oct-15
April 2010-2014	12,889	8,889	4,000	-	0.00075	-	-
Aug 2013	1,147,471	-	1,110,706	36,764	3.75	36,764	Aug-16
Aug 2013	29,000	29,000	-	-	0.525	-	-
Jun 2014	2,800,000	2,546,667	-	253,333	5.22	253,333	Jun-17
Jun 2014	84,000	-	-	84,000	4.5	84,000	Jun-17
Jan 2015	3,858,201	-	-	3,858,201	6.5	3,858,201	Jun-18
	14,246,831	4,389,973	3,380,334	6,476,521		6,476,521	

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARIES

U.S. dollars in thousands

(Except share and per share amounts)

Notes to the Interim Condensed 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:

On December 30, 2009, the Company issued to Ramot 74,667 shares of Common Stock (See Note 4).

On December 31, 2011, the Company issued to Hadasit warrants to purchase up to 100,000 restricted shares of Common Stock at an exercise price of $0.015 per share, exercisable for a period of 5 years. The warrants vested over the course of the trials as follows: 33,333 upon enrollment of 1/3 of the patients; an additional 33,333 upon enrollment of all the patients and the final 33,333 upon completion of the study.

On January 16, 2013, the Company granted an aggregate of 14,400 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.

On February 4, 2013, the Company issued 8,408 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 12,913 shares of Common Stock for 2013 legal services. The related compensation expense in the amount of $44.5 was recorded as general and administrative expense.

On November 13, 2013, the Company approved a grant of 30,000 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 6,000 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 26,667 shares of Common Stock. The shares are public relations services. The related compensation expense in the amount of $92 was recorded as general and administrative expense.

On July 28, 2014, the Company granted to its legal advisor 10,752 shares of Common Stock for 2014 legal services. The related compensation expense in the amount of $50 was recorded as general and administrative expense.

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARIES

U.S. dollars in thousands

(Except share and per share amounts)

Notes to the Interim Condensed 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:

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:

	Nine months ended September 30,		Three months ended September 30,	
	2015	2014	2015	2014
	Unaudited		Unaudited	
Research and development	$ 19	$ 160	$ 4	$ 16
General and administrative	936	604	283	339
Total stock-based compensation expense	$ 955	$ 764	$ 287	$ 355

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report contains numerous statements, descriptions, forecasts and projections, regarding Brainstorm Cell Therapeutics Inc. and its potential future business operations and performance, including statements regarding the market potential for treatment of neurodegenerative disorders such as ALS, the sufficiency of our existing capital resources for continuing operations in 2015, the safety and clinical effectiveness of our NurOwn® technology, our clinical trials of NurOwn® and its related clinical development, and our ability to develop collaborations and partnerships to support our business plan. These statements, descriptions, forecasts and projections constitute "forward-looking statements," and as such involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance and achievements to be materially different from any results, levels of activity, performance and achievements expressed or implied by any such "forward-looking statements." Some of these are described under "Risk Factors" in this report and in our annual report on Form 10-K for the fiscal year ended December 31, 2014. In some cases you can identify such "forward-looking statements" by the use of words like "may," "will," "should," "could," "expects," "hopes," "anticipates," "believes," "intends," "plans," "estimates," "predicts," "likely," "potential," or "continue" or the negative of any of these terms or similar words. These "forward-looking statements" are based on certain assumptions that we have made as of the date hereof. To the extent these assumptions are not valid, the associated "forward-looking statements" and projections will not be correct. Although we believe that the expectations reflected in these "forward-looking statements" are reasonable, we cannot guarantee any future results, levels of activity, performance or achievements. It is routine for our internal projections and expectations to change as the year or each quarter in the year progresses, and therefore it should be clearly understood that the internal projections and beliefs upon which we base our expectations may change prior to the end of each quarter or the year. Although these expectations may change, we may not inform you if they do and we undertake no obligation to do so, except as required by applicable securities laws and regulations. We caution investors that our business and financial performance are subject to substantial risks and uncertainties. In evaluating our business, prospective investors should carefully consider the information set forth under the caption "Risk Factors" in addition to the other information set forth herein and elsewhere in our other public filings with the Securities and Exchange Commission.

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") among others. These diseases for the most part have no or 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 more effectively treating neurodegenerative diseases. Our core technology was developed in collaboration with 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 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 transfer company of Tel Aviv University, Israel. We currently employ 16 employees in Israel and 3 in the United States.

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”), 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 by a standard lumbar puncture; there is no need for a laminectomy, which is an invasive, orthopedic spine operation to remove a portion of the vertebral bone, as required by technologies in which cells are implanted directly into the spinal cord. 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 propagation of the mesenchymal stem cells;
- Differentiation of the mesenchymal stem cells into neurotrophic-factor secreting (MSC-NTF) cells; and
- Autologous transplantation into the patient’s spinal cord and/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 that may lead to:

- 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.

The ALS Program

NurOwn® is in clinical development for the treatment of ALS. It has been granted Fast Track designation by the U.S. Food and Drug Administration (the "FDA") for this indication, and has been granted Orphan Status in both the United States and in Europe.

We have completed two clinical trials of NurOwn® in patients with ALS at Hadassah Medical Center ("Hadassah") in collaboration with Professor Dimitrios Karussis, who served as the principal investigator on these studies. The first study, a phase 1/2 safety and efficacy study of NurOwn® administered by either intramuscular or intrathecal injection, was initiated in June 2011 after receiving approval from the Israeli Ministry of Health ("MoH"). In March 2013, Professor Karussis presented data from this trial at the American Academy of Neurology Annual Meeting. The trial results demonstrated the safety of NurOwn® as well as signs of efficacy on both the ALS Functional Rating Score ("ALSFRS-R") and Forced Vital Capacity ("FVC") in the intrathecal cohort.

In January 2013, we launched our second study, a phase 2a dose-escalating trial, after approval of the Israeli MoH, also conducted at Hadassah in collaboration with Prof. Karussis. Prof. Karussis presented preliminary findings from this trial at the 24th International Symposium on ALS/MND in Milan, Italy in December 2013, and at the Joint Congress of European Neurology in Istanbul, Turkey in June 2014. On January 5, 2015, the Company presented final top line data from this study in a press release and investor conference call, and the full results were presented in April 2015 at the American Academy of Neurology annual meeting, in Washington D.C. The results of this study confirmed the safety profile observed in the earlier phase 1/2 trial, with the vast majority of adverse events being low-grade. There were two deaths and two serious adverse events, all of which were deemed by the investigators to be unrelated to treatment. In this study, we observed a large and clinically meaningful benefit after treatment with NurOwn®, as indicated by a reduction in the rate of disease progression, assessed by the ALSFRS-R and FVC scores. We also conducted a piecewise linear regression analysis of all subjects who received intrathecal ("IT") administration in the Phase 2a study and in the prior Phase 1/2 study. For the combined per protocol group, the rate of decline in ALSFRS-R improved from -1.2 points per month pre-treatment to -0.6 points per month post treatment (two-sided p=0.052), and the rate of decline in FVC improved from -5.1% per month pre-treatment to -1.2% per month post-treatment (two-sided p=0.036).

In April 2014, the FDA approved commencement of the Company's randomized, double-blind, placebo controlled multi-center Phase 2 clinical trial of NurOwn® in ALS patients. On June 6, 2014, the Company announced the enrollment of the first subject at Massachusetts General Hospital in Boston, Massachusetts. The trial is also being conducted at the University of Massachusetts Memorial Hospital in Worcester, Massachusetts and the Mayo Clinic in Rochester, Minnesota. This study is designed to enroll 48 patients randomized in a 3:1 ratio to receive NurOwn® or placebo. In February 2015, the Company announced that the Data Safety Monitoring Board ("DSMB") for the multi-center U.S. Phase 2 clinical trial reviewed the safety data collected through a cutoff date in January 2015, and did not find any lab abnormalities, adverse events or significant protocol deviations that would be cause for concern and therefore approved continuation of the trial as planned. On August 10, 2015, we announced that all 48 subjects had been enrolled into the study. As of October 1, 2015 we have completed treatment of all the 48 patients in the US clinical trial.

Efficacy results from this trial are not expected before the middle of 2016. 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.

Future Development Plans

In addition to its active clinical program in ALS, the Company is reviewing the potential clinical development of NurOwn® in other neurodegenerative disorders, such as progressive multiple sclerosis, Parkinson's disease, Huntington's disease, and other areas. The Company is also conducting preclinical research in additional neurologic disease areas, including autism and stroke.

In addition, the Company is engaged in a number of research initiatives to improve the scale and efficiency of NurOwn® production and to improve the stability of NurOwn®, which is currently produced in clean room facilities close to the clinical trial sites, where the cells are administered to patients. 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, repeated treatments. We are planning to use cryopreserved cells in a future clinical trial that will involve administration of multiple doses of NurOwn®.

We are also engaged in collaboration with Octane Biotech Inc. (“Octane”), a Canadian firm that focuses on culture systems for cell and tissue therapy, to develop a NurOwn® bioreactor. On June 27, 2014, the Company announced that this collaboration has successfully developed a sophisticated Alpha prototype of the NurOwn® Bioreactor, utilizing a customized disposable cartridge that is dedicated to the intricacies of the Company's NurOwn® process. Based on this first working prototype, the Company and Octane are advancing to the next stage of development with a goal of eventually qualifying a bioreactor for full clinical use.

Corporate Information

We are incorporated under the laws of the State of Delaware. Our principal executive offices are located at 3 University Plaza Drive, Suite 320, Hackensack, NJ 07601, and our telephone number is (201) 488-0460. We maintain an Internet website at *http://www.brainstorm-cell.com*. The information on our website is not incorporated into this Quarterly Report on Form 10-Q.

Results of Operations

For the period from inception (September 22, 2000) until September 30, 2015, the Company has not earned any revenues from operations and its accumulated deficit as of September 30, 2015 is approximately $68.8 million. The Company does not expect to earn revenues from operations until 2018 or even later. During the three months ended September 30, 2015 the Company has incurred operating costs and other expenses of approximately $2.6 million.

Research and Development, net:

Research and development expenses, net of grants from The Office of the Chief Scientist for the three months ended September 30, 2015 and 2014 were $1,503,000 and $1,572,000, respectively. The Company's grant from The Office of the Chief Scientist ("OCS") increased by $438,000 to $599,000 for the three months ended September 30, 2015 from $161,000 for the three months ended September 30, 2014. Research and Development expenses before deducting the grants from the OCS increased by $369,000 from $1,733,000 for the three months ended September 30, 2014 to $2,102,000 for the three months ended September 30, 2015. This increase is primarily due to an increase of $356,000 from $1,218,000 for the three months ended September 30, 2014 to $1,574,000 for the three months ended September 30, 2015 of costs relating to U.S. Clinical Trial. These costs included fees to the Contract Research Organization (CRO) and to regulatory consultants, as well as expenses relating to the three medical centers in which the clinical trials are conducted and the two clean room manufacturing facilities that produce the NurOwn® that is used in the clinical trial.

General and Administrative:

General and administrative expenses for the three months ended September 30, 2015 and 2014 were $1,068,000 and $858,000, respectively representing an increase of $210,000. The increase is primarily due to: (i) an increase of $173,000 in payroll costs due to recruitment of a CEO, COO and CFO during 2014 and 2015 and (ii) an increase of $141,000 for rent, travel, PR, consultants and others offset by the decrease of $104,000 in stock-based compensation expenses, travel and stock costs.

Financial Expenses:

Financial expense for the three months ended September 30, 2015 was $32,000, compared to a financial income of $9,000 for the three months ended September 30, 2014. The financial expense for the three months ended September 30, 2015 is mainly due to conversion exchange rates and bank charges that were offset by an interest receivable from a bank deposit.

The financial expense for the three months ended September 30, 2014 is mainly due to conversion exchange rates and bank charges that were offset by an interest receivable from a bank deposit and a financial expense that is due to revaluation of certain warrants issued to investors in the August 2013 public offering ("2013 Warrants"). Certain 2013 Warrants contain anti-dilution provisions. Under generally accepted accounting principles, the anti-dilution provisions require those 2013 Warrants to be valued and classified as a warrant liability on the balance sheet, resulting in a reduction of stockholders' equity. In 2014, we entered into agreements with certain holders of 2013 Warrants to

exchange or redeem their 2013 Warrants. We also entered into agreements with certain holders of 2013 Warrants to waive their anti-dilution rights. On January 6, 2015, the remaining holders of 2013 Warrants, that did not participate in the exchange or redemption and that did not provide a waiver of their anti-dilution rights, exercised their warrants. Therefore, the liability related to the 2013 Warrants has been cancelled.

Net Loss:

Net loss for the three months ended on September 30, 2015 was $2,603,000, as compared to a net loss of $2,421,000 for the three months ended September 30, 2014. Net loss per share for the three months ended September 30, 2015 and 2014 was $0.14 and $0.16 respectively.

The weighted average number of shares of Common Stock used in computing basic and diluted net loss per share for the three months ended September 30, 2015 was 18,480,957, compared to 15,158,411 for the three months ended September 30, 2014.

The increase in the weighted average number of shares of Common Stock used in computing basic for the three months ended September 30, 2015 was primarily due to the issuance of shares of Common Stock in connection with various offerings and the exercise of warrants as described further below as well as well as the issuance of shares to service providers.

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 September 30, 2015, the Company had net working capital of $15,253,000 including cash, cash equivalents and short term bank deposits amounting to $17,151,000.

Net cash used in operating activities for the three months ended September 30, 2015 was $6,117,000. 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 for the three months ended September 30, 2015 was $1,939,000 representing primarily net increase in short-term deposit. There were no financing activities during the three months ended September 30, 2015.

On June 13, 2014, we entered into a securities purchase agreement with a group of investors, including several healthcare-focused funds (the "Investors") to effect a private placement (the "2014 Private Placement") of the Company's Common Stock and warrants to purchase Common Stock. On June 19, 2014, upon the closing of the 2014 Private Placement, we received gross proceeds of $10.5 million, resulting from the issuance and sale of 2.8 million shares of Common Stock at a price per share of $3.75, a 15% discount to the 30 day volume-weighted average price of $4.41. The Investors also received warrants to purchase up to 2.8 million shares of Common Stock at an exercise price of $5.22 per share (the "2014 Warrants"). The 2014 Warrants were exercisable immediately upon closing of the 2014 Private Placement and have a term of three (3) years.

On January 8, 2015, the Company signed an agreement according to which the Company issued 2.5 million shares of Common Stock, pursuant to the exercise of the 2014 Warrants for consideration of $13.3 million dollars. In addition, the Company granted new warrants to the warrant holders to purchase up to an aggregate of approximately 3.8 million unregistered shares of Common Stock at an exercise price of $6.50.

Maxim Group LLC ("Maxim") acted as solicitation agent for the exercise of the 2014 Warrants on January 8, 2015, for a cash fee equal to 6.0% of the exercise proceeds, as well as fees and expenses of Maxim of $20,000. In addition, the Company issued Maxim a warrant to purchase up to approximately 38,000 shares of Common Stock (equal to 1.5% of the exercised 2014 Warrants) upon substantially the same terms as the new warrants.

On June 4, 2015 we filed a shelf registration statement, effective June 10, 2015, relating to common stock, warrants and units that we may sell from time to time in one or more offerings, up to a total dollar amount of $100,000,000. We have not filed any supplemental prospectus defining particular terms of securities to be offered under the shelf registration statement.

Our material cash needs for the next 12 months will include (i) costs of the clinical trial in the U.S. (ii) employee salaries, (iii) Costs expected for the upcoming multi-dose clinical trial in Israel, (iv) payments to Hadassah for rent and operation of the GMP facilities, and (v) fees to our consultants and legal advisors, patents, and fees for facilities to be used in our research and development.

Future operations are expected to be highly capital intensive and will require substantial capital raisings. We expect our current cash position will allow us to meet our obligations in the upcoming 12 months.

Over the longer term if we are not able to raise substantial additional capital, we may not be able to continue to function as a going concern and may have to cease operations or the Company will reduce its costs, including curtailing its current plan to pursue larger clinical trials in ALS and move new indications into clinical testing. We

will be required to raise a substantial amount of capital in the future in order to reach profitability and to complete the commercialization of our products. Our 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.

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 September 30, 2015. For information about critical accounting policies, see the discussion of critical accounting policies in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

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.

Executive Officers

On September 22, 2015 the Company appointed Chaim Lebovits as its Chief Executive Officer. On September 22, 2015 Anthony Fiorino, MD, PhD ceased to serve as Chief Executive Officer of the Company.

Effective November 1, 2015, the Company appointed Anthony Fiorino, M.D., Ph.D. as its Chief Medical Advisor. In connection with the appointment, on November 10, 2015 the Company and Dr. Fiorino entered into a First Amendment to Employment Agreement with effect from October 30, 2015 (the "Amendment"), amending the Employment Agreement dated as of June 9, 2014 between the Company and Dr. Fiorino (the “Employment Agreement”), which Employment Agreement is incorporated herein by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K dated June 9, 2014.

Pursuant to the Amendment, Dr. Fiorino will serve as the Company’s Chief Medical Advisor beginning on November 1, 2015. From November 1, 2015 through April 30, 2016, the Company shall continue to pay Dr. Fiorino an amount equal to his current base salary. Any Company stock options issued to Dr. Fiorino that were unvested as of October 30, 2015 were terminated. All stock options that were unvested as of October 30, 2015 shall remain exercisable through and including September 30, 2016. For Chief Medical Advisor services in excess of twenty (20) hours per week during the period from October 31, 2015 to April 30, 2016, the Company shall additionally compensate Dr. Fiorino at the rate of $150.00 per hour. For Chief Medical Advisor services after April 30, 2016, the Company shall compensate Dr. Fiorino at the rate of $250.00 per hour. In addition the Company agreed to reimburse Dr. Fiorino’s reasonable expenses relating to Company services. Payments and continued exercisability of options are subject to the execution and delivery to the Company of a release of claims by Dr. Fiorino. No additional severance or termination payment will be owed by the Company upon termination of the Agreement as modified by the Amendment.

The above description of the Amendment is qualified in its entirety by reference to the terms of the Amendment, attached hereto as Exhibit 10.4 and incorporated herein by reference.

On November 16, 2015, the Company and Yoram Bibring entered into a First Amendment to Employment Agreement with effect from December 1, 2015 (the "Bibring Amendment"), amending the Employment Agreement dated as of July 30, 2015 between the Company and Yoram Bibring, which Employment Agreement is incorporated herein by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K dated August 3, 2015.

Pursuant to the Bibring Amendment, Mr. Bibring will serve as the Company’s Chief Financial Officer on a half-time, basis beginning on December 1, 2015. Starting December 1, 2015, the Company shall pay Mr. Bibring an amount equal to 50% of his previous base salary. As of December 1, 2015, the Nonstatutory Stock Option Agreement by and between the Company and Mr. Bibring dated July 30, 2015 granting an option to purchase up to 165,000 shares of common stock of the Company (the “Initial Grant”) is amended such that 82,500 shares will be cancelled. The 82,500 remaining shares shall continue to vest and become exercisable in accordance with the terms of the Initial Grant: 20,625 shares vest and become exercisable on July 30, 2016 and 2.08333% of the 82,500 shares vest and become exercisable on each monthly anniversary date starting on August 30, 2016 through the fourth anniversary of the grant, so that the 82,500 shares will become fully vested and exercisable on July 30, 2019. Mr. Bibring’s vacation was amended to 80 hours per year.

The above description of the Bibring Amendment is qualified in its entirety by reference to the terms of the Bibring Amendment, attached hereto as Exhibit 10.5 and incorporated herein by reference.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

This information has been omitted as the Company qualifies as a smaller reporting company.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

Changes In Internal Control Over Financial Reporting

There have been no changes in our internal controls over financial reporting that occurred during the quarter ended September 30, 2015 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. 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 material 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.

Item 1A. Risk Factors.

There have not been any material changes from the risk factors previously disclosed in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 5. Other Information.

During the quarter ended September 30, 2015, we made no material changes to the procedures by which stockholders may recommend nominees to our Board of Directors, as described in our most recent proxy statement.

Item 6. Exhibits.

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

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SIGNATURE

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.

BRAINSTORM CELL
THERAPEUTICS INC.

November 16, 2015 By: /s/ Yoram Bibring
Name: Yoram Bibring
Title: Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

Exhibit Number	Description
3.1	Certificate of Amendment of Certificate of Incorporation of Brainstorm Cell Therapeutics Inc. dated August 31, 2015, incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K dated September 4, 2015.
10.1	Employment Agreement dated July 30, 2015 between Brainstorm Cell Therapeutics Inc. and Yoram Bibring, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated August 3, 2015.
10.2	Nonstatutory Stock Option Agreement dated July 30, 2015, granted by Brainstorm Cell Therapeutics Inc. to Yoram Bibring, incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated August 3, 2015.
10.3	Employment Agreement dated September 28, 2015 between Brainstorm Cell Therapeutics Inc. and Chaim Lebovits, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated September 28, 2015.
10.4*	First Amendment to Employment Agreement effective October 30, 2015 by and between Anthony Fiorino, M.D., Ph.D. and Brainstorm Cell Therapeutics Inc.
10.5*	First Amendment to Employment Agreement effective December 1, 2015 by and between Yoram Bibring and Brainstorm Cell Therapeutics Inc.
31.1*	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1‡	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2‡	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* *Filed herewith*

‡ *Furnished herewith*