BRAINSTORM CELL THERAPEUTICS INC
Form DEF 14A
April 29, 2008

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant:	x
Filed by a Party other than the Registrant:	o

Check the appropriate box:

o	Preliminary Proxy Statement
o	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to Section 240.14a-12

BRAINSTORM CELL THERAPEUTICS INC.
(Name of Registrant as Specified in Its Charter)

Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1)	Title of each class of securities to which transaction applies:
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

BRAINSTORM CELL THERAPEUTICS INC.
110 EAST 59TH STREET, 25TH FLOOR
NEW YORK, NY 10022
(212) 557-9000

April 29, 2008

Dear Stockholder:

Brainstorm Cell Therapeutics Inc. will hold its 2008 Annual Meeting of Stockholders on Thursday, June 5, 2008 beginning at 9:00 a.m., Israel time, at 12 Bazel Street, POB 10019 Kiryat Aryeh, Petach Tikva, Israel 49001. We look forward to you attending either in person or by proxy. The enclosed notice of meeting, the proxy statement, and the proxy card from the Board of Directors describe the matters to be acted upon at the meeting.

Your vote is important. Whether or not you expect to attend the meeting, your shares should be represented. Therefore, we urge you to complete, sign, date and promptly return the enclosed proxy card.

On behalf of the Board of Directors, we would like to express our appreciation for your continued interest in our company.

Sincerely yours,

ABRAHAM EFRATI
Chief Executive Officer

BRAINSTORM CELL THERAPEUTICS INC.
110 EAST 59TH STREET, 25TH FLOOR
NEW YORK, NY 10022
(212) 557-9000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD
THURSDAY, JUNE 5, 2008

To the Stockholders of Brainstorm Cell Therapeutics Inc.:

Notice is hereby given that the 2008 Annual Meeting of Stockholders (the "Meeting") of Brainstorm Cell Therapeutics Inc. (the "Company") will be held on Thursday, June 5, 2008 at 9:00 a.m., Israel time, at the offices of the Company's subsidiary, 12 Bazel Street, POB 10019 Kiryat Aryeh, Petach Tikva, Israel 49001, for the following purposes:

1. To elect four (4) directors;

2. To amend and restate the Company's 2004 Global Share Option Plan and 2005 U.S. Stock Option and Incentive Plan to increase the number of shares of Common Stock available for issuance thereunder by 5,000,000 shares;

3. To ratify the appointment of Brightman Almagor & Co., a member of Deloitte Touche Tohmatsu, as the Company's independent registered public accounting firm for the current fiscal year; and

4. To transact such business that may properly come before the Meeting and any adjournments or postponements of the Meeting.

The Board of Directors has fixed the close of business on April 10, 2008 as the record date for the Meeting. All stockholders of record on that date are entitled to notice of, and to vote at, the Meeting.

YOUR VOTE IS IMPORTANT. PLEASE COMPLETE AND RETURN THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED WHETHER OR NOT YOU INTEND TO BE PRESENT AT THE MEETING IN PERSON. IF YOU ATTEND THE MEETING, YOU MAY CONTINUE TO HAVE YOUR SHARES VOTED AS INSTRUCTED IN THE PROXY OR YOU MAY WITHDRAW YOUR PROXY AND VOTE YOUR SHARES IN PERSON.

BY ORDER OF THE BOARD OF
DIRECTORS

Thomas B. Rosedale, Secretary
Boston, Massachusetts
April 29, 2008

BRAINSTORM CELL THERAPEUTICS INC.

PROXY STATEMENT

Annual Meeting of Stockholders
To Be Held on Thursday, June 5, 2008

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Brainstorm Cell Therapeutics Inc. (the "Company") for use at the 2008 Annual Meeting of Stockholders (the "Meeting") to be held on Thursday, June 5, 2008, at the time and place set forth in the accompanying notice of the Meeting, and at any adjournments or postponements thereof. The approximate date on which this Proxy Statement and form of proxy are first being sent to stockholders is on or about May 2, 2008.

The Company's principal executive offices are located at 110 East 59th Street, 25th Floor, New York, New York 10022 and its telephone number is (212) 557-9000.

Voting and Revocability of Proxies

If the enclosed proxy is properly executed and is received prior to the meeting, it will be voted in the manner directed by the stockholder. If no instructions are specified with respect to any particular matter to be acted upon, properly executed proxies will be voted:

1. For the election of the four director nominees;

2. For the amendment and restatement of the Company’s 2004 Global Share Option Plan and 2005 U.S. Stock Option and Incentive Plan to increase the number of shares of Common Stock available for issuance thereunder by 5,000,000 shares;

3. For the ratification of the appointment of Brightman Almagor & Co., a member of Deloitte Touche Tohmatsu, as the Company's independent registered public accounting firm for the current fiscal year; and

4. At the discretion of the designated proxies named on the enclosed Proxy Card, on any other matter that may properly come before the Meeting, and any adjournment or postponement thereof.

Any person giving the enclosed form of proxy has the power to revoke it by voting in person at the Meeting, by giving a duly executed proxy bearing a later date or by giving written notice of revocation to the Secretary of the Company any time before the proxy is exercised. A stockholder of record attending the Meeting may vote in person whether or not a proxy has been previously given, but the presence, without further action, of a stockholder at the Meeting will not constitute revocation of a previously given proxy.

Quorum and Required Vote

The holders of a majority of all shares of the Company’s common stock, $0.00005 par value per share (the “Common Stock”), issued, outstanding and entitled to vote are required to be present in person or to be represented by proxy at the Meeting in order to constitute a quorum for the transaction of business. Votes withheld, abstentions and shares held in "street name" by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to a particular matter ("broker non-votes") shall be counted for purposes of determining the presence or absence of a quorum for the transaction of business at the Meeting.

The affirmative vote of the holders of a plurality of the issued and outstanding shares of the Company's Common Stock voting in person or by proxy and entitled to vote is required for the election of directors (Proposal No. 1). The affirmative vote of the holders of a majority of the votes cast in person or by proxy of the shares entitled to vote is required to amend and restate the Company’s 2004 Global Share Option Plan and 2005 U.S. Stock Option and Incentive Plan (Proposal No.2) and to ratify the appointment of Brightman Almagor & Co., a member of Deloitte Touche Tohmatsu, as the Company's independent registered public accounting firm for the current fiscal year (Proposal No. 3).

Shares which abstain from voting on a particular matter and broker non-votes will not be counted as votes in favor of such matter and will also not be counted as votes cast or shares voting on such matter. Accordingly, abstentions and broker non-votes will have no effect on any of the proposals.

Record Date and Voting Securities

Only stockholders of record at the close of business on April 10, 2008 (the "Record Date") are entitled to notice of and to vote at the Meeting. At the close of business on that date, there were 44,617,268 shares of Common Stock outstanding and entitled to vote. Each outstanding share of the Company's Common Stock entitles the record holder to cast one (1) vote for each matter to be voted upon.

Expenses and Solicitation

The cost of this solicitation of proxies will be borne by the Company. In addition to soliciting stockholders by mail through its regular employees, the Company may request banks, brokers, and other custodians, nominees and fiduciaries to solicit their customers who have stock of the Company registered
in the names of a nominee, and, if so, will reimburse such banks, brokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket costs. Solicitation by officers and employees of the Company may also be made of some stockholders in person or by mail, telephone or facsimile following the original solicitation. Such officers and employees will receive no compensation in connection with any such solicitations, other than compensation paid pursuant to their duties described elsewhere in this proxy statement.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information as of March 17, 2008 with respect to the beneficial ownership of Common Stock of the Company by the following: (i) each of the Company's current directors; (ii) each of the Named Executive Officers; (iii) all of the current executive officers and directors as a group; and (iv) each person known by the Company to own beneficially more than five percent (5%) of the outstanding shares of the Company's Common Stock.

For purposes of the following table, beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission (the “SEC”) and the information is not necessarily indicative of beneficial ownership for any other purpose. Except as otherwise noted in the footnotes to the table, the Company believes that each person or entity named in the table has sole voting and investment power with respect to all shares of the Company’s Common Stock shown as beneficially owned by that person or entity (or shares such power with his or her spouse). Under the SEC’s rules, shares of the Company’s Common Stock issuable under options that are exercisable on or within 60 days after March 17, 2008 (“Presently Exercisable Options”) or under warrants that are exercisable on or within 60 days after March 17, 2008 (“Presently Exercisable Warrants”) are deemed outstanding and therefore included in the number of shares reported as beneficially owned by a person or entity named in the table and are used to compute the percentage of the Common Stock beneficially owned by that person or entity. These shares are not, however, deemed outstanding for computing the percentage of the Common Stock beneficially owned by any other person or entity. Unless otherwise indicated, the address of each person listed in the table is c/o Brainstorm Cell Therapeutics Inc., 110 East 59th Street, New York, New York 10022.

The percentage of the Common Stock beneficially owned by each person or entity named in the following table is based on 42,617,268 shares of Common Stock outstanding as of March 17, 2008 plus any shares issuable upon exercise of Presently Exercisable Options and Presently Exercisable Warrants held by such person or entity.

Name and Address of Beneficial Owner	Shares Beneficially Owned Number of Shares	Percentage of Class
Directors, Nominees and Named Executive Officers		
Abraham Efrati	166,667(1)	*
Chaim Lebovits	57,006,925(2)	66.9%
Yoram Drucker	1,276,038(3)	2.9%
David Stolick	626,389(4)	1.4%
Irit Arbel	2,566,666(5)	6.0%
Jonathan Javitt	1,100,000(6)	2.6%
Moshe Lion	100,000(7)	*
Robert Shorr	300,000(8)	*
All directors and Named Executive Officers as a group (8 persons)	63,142,685	71.4%
5% Shareholders		
ACCBT Corp. Morgan & Morgan Building Pasea Estate, Road Town Tortola British Virgin Islands	57,006,925(9)	66.9%
Ramot at Tel Aviv University Ltd. 32 Haim Levanon St. Tel Aviv University, Ramat Aviv Tel Aviv, L3 61392	3,181,924(10)	6.9%
Eldad Melamed c/o Rabin Medical Center Beilinson Campus Sackler School of Medicine, Tel Aviv University Petah-Tikva, L3 49100	2,750,678(11)	6.0%
Daniel Offen c/o Felsenstein Medical Research Center Rabin Medical Center, Tel Aviv University Petah-Tikva, L3 49100	2,750,677(12)	6.0%
Zegal & Ross Capital 1748 54th Street Brooklyn, NY 11204	2,600,000(13)	6.1%

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* Less than 1%.

(1) Consists of 166,667 shares of Common Stock issuable upon the exercise of Presently Exercisable Options.

(2) Consists of (i) 12,375,000 shares of Common Stock that may be acquired at any time pursuant to a Subscription Agreement, (ii) 13,612,500 shares of Common Stock issuable upon the exercise of a warrant that may be acquired and exercised at any time pursuant to the Subscription Agreement, (iii) 16,637,500 shares of Common Stock issuable upon the exercise of Presently Exercisable Warrants and (iv) 14,381,925 shares of Common

Stock owned by ACCBT Corp. ACCBT Corp. and ACC International Holdings Ltd. may each be deemed the beneficial owners of these shares. Based solely on information provided in Amendment No. 4 to Schedule 13D filed with the SEC by ACCBT Corp. on April 28, 2008.

(3) Consists of (i) 400,000 shares of Common Stock owned by Mr. Drucker; and (ii) 876,038 shares of Common Stock issuable upon the exercise of Presently Exercisable Options.

(4) Consists of 626,389 shares of Common Stock issuable upon the exercise of Presently Exercisable Options.

(5) Consists of (i) 2,300,000 shares of Common Stock owned by Dr. Arbel; and (ii) 266,666 shares of Common Stock issuable upon the exercise of Presently Exercisable Options. Dr. Arbel's address is 6 Hadishon Street, Jerusalem, Israel.

(6) Consists of (i) 100,000 shares of Common Stock issuable upon the exercise of Presently Exercisable Options and (ii) 1,000,000 shares of Common Stock issuable upon the exercise of Presently Exercisable Warrants.

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

(8) Consists of 300,000 shares of restricted stock, which shares are subject to the Company's right to repurchase.

(9) Consists of (i) 12,375,000 shares of Common Stock that may be acquired at any time pursuant to a Subscription Agreement, (ii) 13,612,500 shares of Common Stock issuable upon the exercise of a warrant that may be acquired and exercised at any time pursuant to the Subscription Agreement, (iii) 16,637,500 shares of Common Stock issuable upon the exercise of Presently Exercisable Warrants and (iv) 14,381,925 shares of Common Stock owned by ACCBT Corp. ACC International Holdings Ltd. and Chaim Lebovits may each be deemed the beneficial owners of these shares. Based solely on information provided in Amendment No. 4 to Schedule 13D filed with the SEC by ACCBT Corp. on April 28, 2008.

(10) Consists of shares of Common Stock issuable upon the exercise of Presently Exercisable Warrants. Tel Aviv University and Tel Aviv University Economic Corp. Ltd. may each be deemed the beneficial owners of these shares. Based solely on information provided in an Amendment to Schedule 13D filed with the SEC by Ramot at Tel-Aviv University Ltd. on September 17, 2007.

(11) Consists of (i) 2,688,178 shares of Common Stock issuable upon the exercise of Presently Exercisable Warrants and (ii) 62,500 shares of Common Stock issuable upon the exercise of Presently Exercisable Options. Based solely on information provided in Schedule 13D filed with the SEC by Prof. Eldad Melamed on September 26, 2005.

(12) Consists of (i) 2,688,177 shares of Common Stock issuable upon the exercise of Presently Exercisable Warrants and (ii) 62,500 shares of Common Stock issuable upon the exercise of Presently Exercisable Options. Based solely on information provided in Schedule 13D filed with the SEC by Daniel Offen on September 26, 2005.

(13) Based solely on information provided in Schedule 13D filed with the SEC by Zegal & Ross Capital on July 16, 2004.

Change in Control

Subscription Agreement

On July 2, 2007, we entered into a subscription agreement (the "Subscription Agreement") with ACCBT Corp. ("ACCBT"), pursuant to which we agreed to sell and issue (i) up to 27,500,000 shares of our Common Stock for an aggregate subscription price of up to $5.0 million, and (ii) for no additional consideration, warrants to purchase up to 30,250,000 shares of our Common Stock. Subject to certain closing conditions, separate closings of the purchase and sale of the shares and the warrants are scheduled to take place from August 30, 2007 through November 15, 2008. If ACCBT purchases all of the shares that it is entitled to under the Subscription Agreement and converts all of the warrants that it is entitled to receive, it will own approximately 66.9% of the Common Stock of the Company. A change in control of the Company will occur upon ACCBT's purchase and/or conversion of more than 50% of our Common Stock. To date, ACCBT has purchased 14,381,925 shares of the Company's Common Stock.

Security Holders Agreement

Pursuant to the Subscription Agreement, ACCBT and certain other security holders of the Company holding at least 31% of the issued and outstanding shares of our Common Stock entered into a Security Holders Agreement (the "Security Holders Agreement"). The security holders party to the Security Holders Agreement agreed, upon the payment by ACCBT of its first $1.0 million under the Subscription Agreement, to vote all of their shares such that ACCBT's nominees to our Board of Directors will constitute a minimum of 40% of the Board of Directors, and, upon the payment by ACCBT of its second $1.0 million, to vote all of their shares such that ACCBT's nominees will constitute a minimum of 50.1% of the Board of Directors. However, if ACCBT stops making payments after the first closing date such that ACCBT pays us less than $4.0 million, ACCBT will be entitled to appoint only 40% of the members of our Board of Directors. To date, ACCBT has paid $2.75 million pursuant to the Subscription Agreement and therefore has the right to nominate 50.1% of the Board of Directors under the Security Holders Agreement.

The security holders who are parties to the Security Holders Agreement also agreed, for so long as ACCBT holds at least 5% of the issued and outstanding shares of our Common Stock, not to vote any of their shares to approve the following matters, without the written consent of ACCBT: (i) any change in our certificate of incorporation or bylaws, or alteration of our capital structure; (ii) the declaration or payment of a dividend or the making of any distributions; (iii) the taking of any steps to liquidate, dissolve, wind-up or otherwise terminate our corporate existence; or (iv) the entering into any transaction the effect of which would place control of our business in the hands of an arm's length third party.

PROPOSAL NO. 1
ELECTION OF DIRECTORS

The Board of Directors recommends that the four nominees named below be elected to serve on the Board of Directors, each of whom is presently serving as a director. The affirmative vote of the holders of a plurality of the votes cast in person or by proxy at an annual meeting of stockholders by the shares entitled to vote is required for the election by stockholders of directors to the Board of Directors. Shares of Common Stock represented by all proxies received and not marked so as to withhold authority to vote for any individual nominee or for all nominees will be voted for the election of the four nominees named below. Each nominee has consented to being named in this Proxy Statement and has indicated
his willingness to serve if elected. If for any reason any nominee should become unable or unwilling to serve, the persons named as proxies may vote the proxy for the election of a substitute nominee selected by the Board of Directors. The Board of Directors has no reason to believe that any nominee will be unable to
serve. Shareholders may vote for no more than four nominees for director.

Under the Security Holders Agreement, ACCBT is entitled to nominate 50.1% of our Board of Directors. Dr. Jonathan C. Javitt and Moshe Lion were nominated pursuant to this provision.

Biographical and certain other information concerning the Company's nominees for election to the Board of Directors is set forth below. Information with respect to the number of shares of the Company's Common Stock beneficially owned by each director as of March 17, 2008 appears above under "Security
Ownership of Certain Beneficial Owners and Management." No director or executive officer is related by blood, marriage or adoption to any other director or executive officer.

Name	Age	Position
Irit Arbel	48	Director
Jonathan C. Javitt	51	Director
Moshe Lion	46	Director
Robert Shorr	54	Director

Dr. Irit Arbel joined the Company in May 2004 as a director and as our President. She served as President until she resigned in November 2004 in order to enable Dr. Beck's appointment. Dr. Arbel was President and CEO of Pluristem Life Systems, Inc. from 2002 to June 2004, and was Israeli Sales Manager of Merck, Sharp & Dohme from 1998 to 2002. From 1995 to 1997, Dr. Arbel served as the head of research for Hadassa-Ein Karem Hospital in Jerusalem. Dr. Arbel specialized in the use of pharmaceuticals for neurology, ophthalmology and dermatology treatments. Dr. Arbel earned her Post Doctorate degree in 1997 in Neurobiology, after performing research in the area of Multiple Sclerosis. Dr. Arbel also holds a Chemical Engineering degree from the Technion, Israel's Institute of Technology.

Dr. Jonathan C. Javitt joined the Company as a director in August 2007. Dr. Javitt is a physician with a background in information technology, health economics, and public health. Since 2001, Dr. Javitt has served as a Senior Fellow of the Potomac Institute for Policy Studies, and since 1998 has also served as Chairman and CEO of Health Directions, LLC, an investment and consulting group that focuses on healthcare information technology and biotechnology. Dr. Javitt has been a founder of health information technology companies that have become part of Siemens, Inc., United Health Group, Inc., and Aetna, Inc. Currently, he serves as Managing Director for Health Care and Life Sciences of BTI, Inc. and is a Director of Flexscan, Inc. Since 1988, Dr. Javitt has also served as a Professor of Ophthalmology (adjunct) at the Johns Hopkins University. Dr. Javitt has considerable expertise and experience in the development of new drugs, having worked extensively over the past twenty years with Merck, Inc., Pfizer, Inc., Allergan, Inc., Alcon, Inc., OSI, Inc., and others in bringing new drugs and medical devices to the marketplace.

Mr. Moshe Lion joined the Company as a director in July 2007. Since 1999, Mr. Lion has been a senior partner of Lion, Orlitzky and Co., a member of Moore Stephens International. Mr. Lion also serves as a director for Elbit Medical Imaging Ltd. Previously, Mr. Lion was Chairman of Israel Railways, Director of the Israel Council for Higher Education and the Wingate Institute for Physical Education, Director of Elscint Ltd, Director of Massad Bank and Director of Bank Tefahot. Prior to that, Mr. Lion served as Director General of the Israeli Prime Minister's Office as well as an economic advisor to the Israeli Prime Minister. He also served as the Head of the Bureau of the Israeli Prime Minister's Office. Mr. Lion holds a Bachelor of Arts degree in accounting and economics and a Master's Degree in Law (LL.M.) from Bar Ilan University.

Dr. Robert Shorr joined the Company as a director in March 2005. Since 2000, Dr. Shorr has served as President and CEO of Cornerstone Pharmaceuticals, a bio technology company. Since 1998, he has also served as Director of Business Development at the State University of New York at the Stony Brook Center for Advanced Technology. From 1998 until 2002, Dr. Shorr was Vice-President of Science and Technology (CSO) of United Therapeutics, a NASDAQ listed company. He has served as trustee at the Tissue Engineering Charities, Imperial College, London since 1999. Prior to 1998 he held management positions at Enzon Inc., a NASDAQ listed company, and AT Biochem of which he was also founder. Dr. Shorr also served on the Board of Directors of Biological Delivery Systems Inc., a NASDAQ listed company. Dr. Shorr holds both a Ph.D. and a D.I.C. from the University of London, Imperial College of Science and Technology as well as a B.Sc. from the State University of New York.

The Board of Directors recommends a vote FOR the election of the nominees named above as directors of the Company.

PROPOSAL NO. 2
APPROVAL OF AMENDMENT AND RESTATEMENT OF 2004 GLOBAL SHARE OPTION PLAN AND 2005 U.S. STOCK OPTION AND INCENTIVE PLAN

On November 25, 2004, our Board of Directors adopted the 2004 Global Share Option Plan (as amended, the "Global Plan"). On February 24, 2005, our Board of Directors adopted the 2005 U.S. Stock Option and Incentive Plan (as amended, the "U.S. Plan" and together with the Global Plan, the "Plans"). On February 24, 2005, the Board also amended the Global Plan to provide that any awards granted under the Global Plan and the U.S. Plan will reduce the total number of shares available for future issuance under each Plan. The stockholders approved the Plans on March 28, 2005. We believe that our future success and the continued growth in stockholder value depends, in large part, on our ability to attract, retain and motivate key employees and consultants with experience and ability in today's intensely competitive market. Participation in the Plans rewards key employees for superior performance by giving them an opportunity to participate in this success. We believe that the stock options that may be granted and other stock-based compensation awards that may be made under the Plans are consistent with the grants and awards made by companies with which we compete for key talent. We currently have three executive officers, four directors and fourteen additional employees who are eligible to participate in the Plans. We may also grant awards to consultants.

Under the Plans, we are currently authorized to grant equity awards for the issuance of up to an aggregate of 9,143,462 shares of Common Stock. As of March 31, 2008, 8,991,778 shares of Common Stock had been issued, or are reserved for issuance, pursuant to awards granted under the Plans to plan participants. We estimate that the remaining 151,684 shares available for issuance under the Plans will not be sufficient to meet our future needs.

Accordingly, on April 28, 2008 our Board approved, subject to stockholder approval, the amendment and restatement of the Plans to increase the number of shares available for issuance under the Plans (subject to adjustment for certain changes in the Company's capitalization) by an additional 5,000,000 shares, bringing the total number of shares available for issuance under the Plans to 5,151,684 shares.

If the stockholders do not approve the proposed amendment and restatement of the Plans, our ability to grant any further options or make any further awards of stock under the Plans will be significantly curtailed and our flexibility in granting the most appropriate type of award will be significantly limited. This is likely to adversely impact our ability to attract, retain and motivate current and prospective employees.

The Board of Directors believes the amendment and restatement of the Plans is in the best interests of the Company and its stockholders and recommends a vote "FOR" the approval of such amendment and restatement.

Description of the Global Plan

The following description of certain features of the Global Plan, including Appendix A thereto related to participants who are residents of Israel (the "Israeli Appendix"), is intended to be a summary only. The summary is qualified in its entirety by the full text of the Global Plan and the Israeli Appendix as amended and restated, which are attached hereto as Exhibit A.

Administration. To date, the Global Plan has been administered by the Board of Directors. The Board may, however, delegate its powers under the Global Plan to a compensation committee of the Board (the "Compensation Committee") which shall consist of at least two (2) members of the Company's Board of Directors. Notwithstanding, the Board shall automatically have residual administrative authority (i) if no committee shall be constituted, (ii) with respect to rights not delegated by the Board to the Committee, or (iii) if the Compensation Committee shall cease to operate for any reason whatsoever.

Participation. The Global Plan provides that the persons eligible for participation in the Global Plan shall include employees, directors, and/or service providers such as consultants, or advisers of the Company or any affiliate, or any other person who is not an employee (also referred to as non-employee). In determining the eligibility of an individual to be granted options pursuant to the Global Plan, as well as in determining the number of options to be granted to any individual, the Board of Directors takes into account the position and responsibilities of the individual being considered, the nature and value to the Company or its subsidiaries of the individual's service and accomplishments, his or her present and potential contribution to the success of the Company or its subsidiaries, and such other factors as the Board of Directors deems relevant. The number of individuals potentially eligible to participate in the Global Plan currently included three officers, fourteen employees, three scientific consultants, four non-employee directors and an indeterminate number of additional consultants and service providers of the Company.

Terms and Provisions of Options. Options granted under the Global Plan are exercisable at such times and during such period as is set forth in the option agreement, and shall terminate upon the earlier of (i) the date set forth in the option agreement, (ii) the expiration of ten (10) years from the date of grant, or (iii) the expiration of any extended period in any of the events set forth below. The option agreement may contain such provisions and conditions as may be determined by the Compensation Committee. The Option exercise price for each share subject to an Option shall be determined by the Compensation Committee in its sole and absolute discretion in accordance with applicable law, subject to any guidelines as may be determined by the Board of Directors from time to time. The exercise price shall be payable upon the exercise of an Option in cash, check, or wire transfer.

An Option or any right with respect thereto of any optionee to exercise an Option granted under the Global Plan is not assignable or transferable, nor may it be given as collateral nor may any right with respect thereto be given to a third party whatsoever, other than by will or the laws of descent and distribution, or as specifically otherwise allowed under the Global Plan. Moreover, during the lifetime of the optionee, each and all of such optionee's rights to purchase shares under the Global Plan shall be exercisable only by the optionee.

In the event of a termination of optionee's employment or service, all Options granted to such optionee shall immediately expire. Notwithstanding the foregoing and unless otherwise determined in the optionee's option agreement, an Option may be exercised after the date of termination as follows: If the termination is without cause, the unexpired vested Options still in force may be exercised within a period of three (3) months after the date of such termination. If such termination of employment is the result of death or disability, the vested unexpired Options still in force may be exercised within a period of twelve (12) months after such date of termination. If such termination of employment or service is for cause, any outstanding unexercised Option will immediately expire and terminate, and the optionee shall not have any right in respect thereof. In no event shall an option be exercisable after the date upon which it expires by its terms. The Compensation Committee has the authority to extend the term of all or part of the vested Options beyond the date of such termination for a period not to exceed the period during which the Options by their terms would otherwise have been exercisable.

Merger; Acquisition; Reorganization. The Global Plan provides that in the event of a merger, acquisition, or reorganization of the Company or in the event of a sale of all or substantially all of the assets or shares of the Company to another entity (a "Transaction") the unexercised Options shall be assumed or substituted for an appropriate number of shares of each class of shares or other securities of the successor corporation (or a parent or subsidiary of the successor corporation) as were distributed to the shareholders of the Company in connection with the Transaction. In the case of such assumption and/or substitution of Options, appropriate adjustments shall be made to the exercise price so as to reflect such Option and all other terms and conditions of the option agreements, all subject to the determination of the Compensation Committee or the Board of Directors, which determination shall be in their sole discretion and final. The Global Plan further provides that in the event that the outstanding shares shall at any time be changed or exchanged by declaration of a share dividend (bonus shares), share split or reverse share split, combination or exchange of shares, recapitalization, or any other like event by or of the Company, and as often as the same shall occur, then the number, class and kind of shares subject to the Global Plan or subject to any Options theretofore granted, and the exercise prices, shall be appropriately and equitably adjusted so as to maintain the proportionate number of shares without changing the aggregate exercise price, provided, however, that no adjustment shall be made by reason of the distribution of subscription rights on outstanding shares. Upon the occurrence of any of the above, the class and aggregate number of shares issuable pursuant to the Global Plan, in respect of which Options have not yet been exercised, shall be appropriately adjusted.

The Board of Directors or the Compensation Committee shall also have the power to determine that in certain option agreements there shall be a clause instructing that if in any Transaction the successor corporation (or parent or subsidiary of the successor corporation) does not agree to assume or substitute the Options, the vesting dates of outstanding Options shall be accelerated so that any unvested Option or any portion thereof shall be immediately vested ten (10) days prior to the effective date of the Transaction.

Upon voluntary dissolution or liquidation of the Company, the Company shall immediately notify all unexercised Option holders of such voluntary liquidation, and the Option holders shall then have ten (10) days to exercise any unexercised vested Options held by them at that time. Upon the expiration of such ten-day period, all remaining outstanding Options will terminate immediately.

Termination and Amendment. Unless sooner terminated, the Global Plan shall terminate ten (10) years from November 25, 2004, the date upon which it was adopted by the Board of Directors. The Board of Directors may at any time terminate or suspend the Global Plan or make such modification or amendment as it deems advisable; provided, however, that no amendment, alteration, suspension or termination of the Global Plan shall impair the rights of any optionee, unless mutually agreed otherwise by the optionee and the Company. Termination of the Global Plan prior to the termination date shall not affect the Board of Director's ability to exercise the powers granted to it thereunder with respect to Options granted under the Global Plan prior to the date of such earlier termination. The Company shall obtain the approval of the Company's stockholders for amendment to the Global Plan if stockholders' approval is required under any applicable law or if stockholders' approval is required by any authority or by any governmental agencies or national securities exchanges.

Description of the U.S. Plan

The following description of certain features of the U.S. Plan is intended to be a summary only. The summary is qualified in its entirety by the full text of the U.S. Plan, as amended and restated, that is attached hereto as Exhibit B.

U.S. Plan Administration. The U.S. Plan may be administered by the Board of Directors or a committee of not fewer than two non-employee directors who are independent (the "Administrator"). The Administrator has full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the U.S. Plan.

Eligibility and Limitations on Grants. Persons eligible to participate in the U.S. Plan will be those current or prospective officers, employees, non-employee directors and other key persons (including consultants) of the Company and its subsidiaries as selected from time to time by the Administrator. An indeterminate number of consultants and service providers of the Company are currently eligible to participate in the U.S. Plan. No more than 14,143,462 shares shall be issued in the form of incentive stock options.

Stock Options. The U.S. Plan permits the granting of (i) options to purchase Common Stock intended to qualify as incentive stock options under Section 422 of the Code and (ii) options that do not so qualify. Options granted under the U.S. Plan will be non-qualified options if they (i) fail to qualify as incentive options, (ii) are granted to a person not eligible to receive incentive options under the Code, or (iii) otherwise so provide. Non-qualified options may be granted to any persons eligible to receive incentive options, to non-employee directors and other non-employee key persons. The option exercise price of each option will be determined by the Administrator but may not be less than 100% of the fair market value of the Common Stock on the date of grant.

The term of each option will be fixed by the Administrator and may not exceed ten years from the date of grant. The Administrator will determine at what time or times each option may be exercised and, subject to the provisions of the U.S. Plan, the period of time, if any, after retirement, death, disability or termination of employment during which

options may be exercised. Options may be made exercisable in installments and the exercisability of options may be accelerated by the Administrator.

Upon exercise of options, the option exercise price must be paid in full either in cash or by certified or bank check or other instrument acceptable to the Administrator or, if the Administrator so permits, by delivery (or attestation to the ownership) of shares of Common Stock that meet such requirements as may be specified by the Administrator including shares of Common Stock that are not subject to any restrictions imposed by the Company and that have been held by the optionee for at least six months or that were purchased in the open market by the optionee. Subject to applicable law, the exercise price may also be delivered to the Company by a broker pursuant to irrevocable instructions to the broker from the optionee.

To qualify as incentive options, options must meet additional federal tax requirements, including a $100,000 limit on the value of shares subject to incentive options that first become exercisable by a participant in any one calendar year, and a shorter term and higher minimum exercise price in the case of certain large stockholders.

Restricted Stock. The Administrator may award shares of Common Stock to participants subject to such conditions and restrictions as the Administrator may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with the Company through a specified restricted period. The purchase price (if any) of shares of Restricted Stock will be determined by the Administrator. If the performance goals and other restrictions are not attained, the grantee will automatically forfeit their awards of restricted stock to the Company.

Tax Withholding. Participants in the U.S. Plan are responsible for the payment of any federal, state or local taxes that the Company is required by law to withhold upon any option exercise or vesting of other awards. Subject to approval by the Administrator, participants may elect to have the minimum tax withholding obligations satisfied either by authorizing the Company to withhold shares of Common Stock to be issued pursuant to an option exercise or other award, or by transferring to the Company shares of Common Stock having a value equal to the amount of such taxes.

Adjustments for Stock Dividends, Stock Splits, Etc. The U.S. Plan authorizes the Administrator to make appropriate adjustments to outstanding awards to reflect stock dividends, stock splits and similar events. In the event of a merger, consolidation, sale of the Company or similar event, the Administrator will make appropriate adjustments in the limits specified in the U.S. Plan and to outstanding awards. The Administrator may also adjust outstanding awards to take into consideration material changes in accounting practices or extraordinary dividends or similar events if the Administrator determines that such adjustments are appropriate.

Change in Control Provisions. The U.S. Plan provides that in the event of a sale event (as defined in the U.S. Plan) resulting in a change in control of the Company, all stock options and restricted stock awards will be appropriately adjusted and assumed with the same vesting schedule by the successor entity (unless otherwise provided in the award agreement or by the Administrator). If any awards are not so assumed, the Administrator will provide for a period of time before the change in control during which then exercisable options may be exercised. In addition, in the event of a sale event in which the Company's stockholders will receive cash consideration, the Company may make or provide for a cash payment to participants holding options equal to the difference between the per share cash consideration and the exercise price of the options.

Amendments and Termination. The Board of Directors may at any time amend or discontinue the U.S. Plan and the Administrator may at any time amend or cancel any outstanding award for the purpose of satisfying changes in the law or for any other lawful purpose. However, no such action may adversely affect any rights under any outstanding award without the holder's consent. Any amendments that materially change the terms of the U.S. Plan, including any amendments that increase the number of shares reserved for issuance under the U.S. Plan, expand the types of awards available, materially expand the eligibility to participate in, or materially extend the term of, the U.S. Plan, or materially change the method of determining fair market value of Common Stock, will be subject to approval by stockholders. Amendments shall also be subject to approval by the Company's stockholders if and to the extent determined by the Administrator to be required by the Code to preserve the qualified status of incentive options. In

addition, except in connection with a reorganization of the Company or a merger or other transaction, the Board may not reduce the exercise price of an outstanding stock option or effect repricing of an outstanding stock option through cancellation or regrants.

Plan Benefits

As of March 31, 2008, approximately 24 persons were eligible to receive awards under the Plans, including our three executive officers, three scientific consultants and four non-employee directors. We may also grant awards to consultants. The granting of awards under the Plans is discretionary, and we cannot now determine the number or type of awards to be granted in the future to any particular person or group. On April 28, 2008, the last reported sale price of our Common Stock was $0.36.

Since approval of the Plans in March 2005, as of March 31, 2008 the following options and shares of restricted stock have been granted under the Plans to the following persons and groups:

Grantees	No. of Options Granted	Shares of Restricted Stock
Named Executive Officers:		
Chaim Lebovits	—	—
Abraham Efrati	1,000,000	—
David Stolick	850,000	—
Yoram Drucker	1,035,760	—
All Current Executive Officers as a Group	2,885,760	—
Directors who are not Executive Officers:		
Irit Arbel	300,000	—
Jonathan C. Javitt	100,000	—
Moshe Lion	100,000	—
Robert Shorr	—	300,000
All Current Directors who are not Executive Officers as a Group	500,000	300,000
Each Associate of any of such Directors or Executive Officers	—	—
Each Other Person who Received or is to Receive Five Percent of Options under the Plans	957,163	—
All Employees, including all Current Officers who are not Executive Officers, as a Group	2,075,000	—

Israeli Appendix and Tax Matters

Section 102 of the Israeli Income Tax Ordinance (New Version), 1961, as amended (the "Section 102"; "Tax Ordinance", respectively) shall apply to allocation of Options and/or shares to employees, including directors and office holders, but excluding controlling shareholders (as defined in Section 32(9) of the Ordinance) (the "Employees"). Options granted under the amended Section 102 may be classified as Approved 102 Option to be held by a trustee for the benefit of the Employees for such period of time as required by Section 102 or any regulations, rules or orders or procedures promulgated thereunder (the "Trustee"; "Holding Period", respectively) or as Unapproved 102 Option, without a trustee. The Trustee is an individual who is appointed by the Company and approved by the Israeli Tax Authorities. Under the trustee track, the trustee may not release any shares allocated or issued upon exercise of Approved 102 Options prior to the full payment of optionee's tax liabilities arising from Approved 102 Options which were granted to him and/or any shares allocated or issued upon exercise of such Options. With respect to any Approved 102 Option, an optionee shall not sell or release from trust any share received upon the exercise of an Approved 102 Option and/or any share received subsequently following any realization of rights, including bonus shares, until the lapse of the Holding Period described above. If any such sale or release shall

occur during the Holding Period the sanctions under Section 102 shall apply and shall be borne by such optionee. Approved 102 Options may either be classified as "ordinary income option" or "capital gains option". The classification of the type of options as "ordinary income option" or "capital gain option" depends on the election made by the Company prior to the date of grant, and obligates the Company to grant such type of option to all of its Employees for a period of one year following the year during which options were first granted.

We have chosen to grant Options to our Employees as Approved 102 Options under the capital gain track. Such election was appropriately filed with the Israeli tax authorities before the grant of an Approved 102 Option. Under such track, the Employee will realize a capital gain upon the sale of shares received following the exercise of such options or upon release of such shares from trust, whichever is earlier.

Federal Income Tax Consequences

The following generally summarizes the United States federal income tax consequences that generally will arise with respect to awards granted under the Plans. This summary is based on the tax laws in effect as of the date of this Proxy Statement. Changes to these laws could alter the tax consequences described below.

Incentive Options. No taxable income is generally realized by the optionee upon the grant or exercise of an incentive option. If shares of Common Stock issued to an optionee pursuant to the exercise of an incentive option are sold or transferred after two years from the date of grant and after one year from the date of exercise, then (i) upon sale of such shares, any amount realized in excess of the option price (the amount paid for the shares) will be taxed to the optionee as a long-term capital gain, and any loss sustained will be a long-term capital loss, and (ii) there will be no deduction for the Company for federal income tax purposes. The exercise of an incentive option will give rise to an item of tax preference that may result in alternative minimum tax liability for the optionee. An optionee will not have any additional FICA (Social Security) taxes upon exercise of an incentive option. If shares of Common Stock acquired upon the exercise of an incentive option are disposed of prior to the expiration of the two-year and one-year holding periods described above (a "disqualifying disposition"), generally (i) the optionee will realize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of the shares of Common Stock at exercise (or, if less, the amount realized on a sale of such shares of Common Stock) over the option price thereof, and (ii) the Company will be entitled to deduct such amount. Special rules will apply where all or a portion of the exercise price of the incentive option is paid by tendering shares of Common Stock. If an incentive option is exercised at a time when it no longer qualifies for the tax treatment described above, the option is treated as a non-qualified option. Generally, an incentive option will not be eligible for the tax treatment described above if it is exercised more than three months following termination of employment (or one year in the case of termination of employment by reason of disability). In the case of termination of employment by reason of death, the three-month rule does not apply.

Non-Qualified Options. With respect to non-qualified options under the Plans, no income is realized by the optionee at the time the option is granted. Generally (i) at exercise, ordinary income is realized by the optionee in an amount equal to the difference between the option price and the fair market value of the shares of Common Stock on the date of exercise, and the Company receives a tax deduction for the same amount, and (ii) at disposition, appreciation or depreciation after the date of exercise is treated as either short-term or long-term capital gain or loss depending on how long the shares of Common Stock have been held. Special rules will apply where all or a portion of the exercise price of the non-qualified option is paid by tendering shares of Common Stock. Upon exercise, the optionee will also be subject to FICA taxes on the excess of the fair market value over the exercise price of the option.

Parachute Payments. The vesting of any portion of an option or other award that is accelerated due to the occurrence of a change in control may cause a portion of the payments with respect to such accelerated awards to be treated as "parachute payments" as defined in the Code. Any such parachute payments may be non-deductible to the Company, in whole or in part, and may subject the recipient to a non-deductible 20% federal excise tax on all or a portion of such payment (in addition to other taxes ordinarily payable).

Limitation on the Company's Deductions. As a result of Section 162(m) of the Code, the Company's deduction for certain awards under the Plans may be limited to the extent that the Chief Executive Officer or other executive officer whose compensation is required to be reported in the summary compensation table receives compensation in excess of $1 million a year (other than performance-based compensation that otherwise meets the requirements of Section 162(m) of the Code).

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The Board of Directors recommends a vote FOR the proposal to amend and restate the Company's Plans to increase the number of shares of Common Stock available for issuance thereunder by 5,000,000 shares.

PROPOSAL NO. 3
RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

On April 28, 2008, the Company engaged Brightman Almagor & Co., a member of Deloitte Touche Tohmatsu, ("Deloitte") as its independent registered public accounting firm, commencing with the review of the Company's financial statements to be included in the Company's quarterly reports on Form 10-QSB for the fiscal quarter ended March 31, 2008. This action, which was approved by the Company's Audit Committee, dismisses Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, ("Kost"), as the Company's independent registered public accounting firm for the remainder of the fiscal year ending December 31, 2008. The Board of Directors is asking the Company's stockholders to ratify the appointment of Deloitte as the Company's independent registered public accounting firm. Although ratification is not required by the Company's Bylaws or otherwise, the Board is submitting the appointment of Deloitte to the stockholders for ratification as a matter of good corporate practice. If the stockholders do not ratify the selection of Deloitte as the Company's independent registered public accounting firm, the Board will reconsider its selection. Even if the appointment is ratified, the Board, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the Board determines that such a change would be in the Company's and its stockholders' best interests. A representative of Deloitte is not expected to be present at the Meeting and will not have the opportunity to make a statement or be available to respond to appropriate questions from stockholders. Kost is not expected to have a representative at the Meeting.

Except as noted in the paragraph immediately below, Kost's audit reports on the Company's consolidated financial statements for the fiscal years ended December 31, 2007 and 2006 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

The reports of Kost on the Company's consolidated financial statements as of and for the fiscal years ended December 31, 2007 and 2006, contained an explanatory paragraph which noted its substantial doubt about the Company's ability to continue to operate as a going concern by (i) the fact that the Company has incurred operating losses and has a negative cash flow from operating activities and has a working capital deficiency and (ii) the uncertainty which may result from one of the Company's research and development license agreements. The reports also noted that the Company's financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

During the Company's fiscal years ended December 31, 2007 and 2006 and through the current date, there were no disagreements between the Company and Kost on any matter of accounting principle or practice, financial statement disclosure, or auditing scope or procedure which, if not resolved to Kost's satisfaction, would have caused it to make reference to the matter in conjunction with its report on the Company's consolidated financial statements for the relevant year.

Except as noted in the paragraph immediately below, during the Company's fiscal years ended December 31, 2007 and 2006 and through the current date there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

As disclosed in the Company's annual report on Form 10-KSB for the fiscal year ended December 31, 2007, a material weakness was identified, as the Company did not maintain effective controls over certain aspects of the financial reporting process because it lacked a sufficient complement of personnel with a level of accounting expertise and an adequate supervisory review structure that is commensurate with the Company's financial reporting requirements. Specifically, the Company's Chief Financial Officer handles certain accounting issues of the Company alone as there is

no one in the Company's accounting and finance departments who is qualified to assist him.

During the Company's fiscal years ended December 31, 2007 and 2006 and through the current date, neither the Company, nor anyone on behalf of the Company, consulted with Deloitte with respect to either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's consolidated financial statements, and no written report or oral advice was provided by Deloitte to the Company that Deloitte concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing, or financial reporting issue or (ii) any matter that was the subject of either a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K).

The Company provided Kost with a copy of the foregoing statements and requested that Kost furnish the Company a letter addressed to the Securities and Exchange Commission stating whether or not Kost agrees with the above statements. The Company will file such letter as an exhibit to a Current Report on Form 8-K once it is received.

The Board of Directors recommends a vote FOR ratification of the appointment of Brightman Almagor & Co., a member of Deloitte Touche Tohmatsu, as the Company's independent registered public accounting firm for the current fiscal year.

CORPORATE GOVERNANCE AND BOARD MATTERS

Independence of Members of Board of Directors

The Board of Directors has determined that each of Dr. Arbel, Dr. Javitt, Mr. Lion and Dr. Shorr, constituting all of the directors of the Company, satisfies the criteria for being an "independent director" under the standards of the Nasdaq Stock Market, Inc. ("Nasdaq") and has no material relationship with the Company other than by virtue of service on the Board of Directors.

Board Meetings

The Board of Directors held 4 meetings during the fiscal year ended December 31, 2007. Each incumbent director attended at least 75% of the aggregate number of meetings of the Board of Directors during the time each has served in 2007.

Committees of the Board

On February 7, 2008, the Board of Directors established a standing Audit Committee in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, which assists the Board of Directors in fulfilling its responsibilities to stockholders concerning the Company's financial reporting and internal controls, and facilitates open communication among the Audit Committee, Board of Directors, outside auditors and management. The Audit Committee discusses with management and the Company's outside auditors the financial information developed by the Company, the Company's systems of internal controls and the Company's audit process. The Audit Committee is solely and directly responsible for appointing, evaluating, retaining and, when necessary, terminating the engagement of the independent auditor. The independent auditors meet with the Audit Committee (both with and without the presence of the Company's management) to review and discuss various matters pertaining to the audit, including the Company's financial statements, the report of the independent auditors on the results, scope and terms of their work, and their recommendations concerning the financial practices, controls, procedures and policies employed by the Company. The Audit Committee preapproves all audit services to be provided to the Company, whether provided by the principal auditor or other firms, and all other services (review, attest and non-audit) to be provided to the Company by the independent auditor. The Audit Committee coordinates the Board of Directors' oversight of the Company's internal control over financial reporting, disclosure controls and procedures and code of conduct. The Audit Committee is charged with establishing procedures for (i) the receipt, retention and treatment of complaints received by the

Company regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. The Audit Committee reviews all related party transactions on an ongoing basis, and all such transactions must be approved by the Audit Committee. The Audit Committee is authorized, without further action by the Board of Directors, to engage such independent legal, accounting and other advisors as it deems necessary or appropriate to carry out its responsibilities. The Board of Directors has adopted a written charter for the Audit Committee, which is available in the corporate governance section of the Company's website at *www.brainstorm-cell.com*. The Audit Committee currently consists of Mr. Lion (Chairman) and Drs. Arbel and Shorr, each of whom is independent as defined under applicable Nasdaq listing standards.

The Board of Directors does not have a standing nominating committee, instead each member of the Board of Directors participates in the consideration of director nominees. Due to the size of the Company, the Board of Directors does not currently have a policy regarding stockholder recommendations of director nominees. The Board of Directors does not have any specific, minimum qualifications for director nominees, but considers a variety of factors in selecting director nominees, including, but not limited to the following: integrity, education, business acumen, knowledge of the Company's business and industry, age, experience, diligence, conflicts of interest and the ability to act in the interests of all stockholders.

Due to the size of the Company, the Board of Directors does not have a standing compensation committee. Each member of the Board of Directors participates in the consideration and determination of executive and director compensation. Executive officers suggest proposed executive compensation, but the Board is the sole decision-maker. Director compensation is reviewed by the Board on a yearly basis.

Family Relationships

There are no family relationships between the executive officers or directors of the Company.

Involvement in Certain Legal Proceedings

None.

Code of Ethics

On May 27, 2005, our Board of Directors adopted a Code of Business Conduct and Ethics that applies to, among other persons, members of our Board of Directors, our officers, including our Chief Executive Officer (our principal executive officer), our President, our Chief Financial Officer (our principal financial and accounting officer), contractors, consultants and advisors. The Code of Business Conduct and Ethics is available in the corporate governance section of the Company’s website at *www.brainstorm-cell.com*.

Communication with the Board of Directors

Due to the size of the Company, the Company has no formal process for stockholders to send communications to the Board of Directors. Stockholders may send written communications to the Board of Directors or any individual members to the Company's offices, 110 East 59th Street, 25th Floor, New York, NY 10022. All such communications will be relayed accordingly, except for mass mailings, job inquiries, surveys, business solicitations or advertisements, or patently offensive or otherwise inappropriate material.

ADDITIONAL INFORMATION

Current Executive Officers

Set forth below is a summary description of the principal occupation and business experience of each of the Company's executive officers:

Name	Age	Position
Abraham Efrati	58	Chief Executive Officer
Chaim Lebovits	37	President
David Stolick	42	Chief Financial Officer

Abraham (Rami) Efrati joined the Company in October 2007 as our Chief Executive Officer. In 2004, Mr. Efrati founded, and is currently the Chief Executive Officer of, Pro-Int Ltd., a private company. In 2005, Mr. Efrati co-founded, and is currently the Chief Executive Officer of, TeleFlight Technologies Ltd., a technology company specializing in research and development of micro electronics solutions mainly oriented for unmanned systems. From 1997 until 2004, Mr. Efrati served as the Vice President, Sales, Business Development and Marketing for the government project division of NICE-Systems Ltd., a leading provider of solutions that capture, manage and analyze unstructured multimedia content and transactional data enabling companies and public organizations to enhance business and operational performance, address security threats and behave proactively.

Chaim Lebovits joined the Company in July 2007 as our President. Mr. Lebovits controls ACC Holdings, a holding company which controls three subsidiaries: (i) C&L Natural Resources; (ii) ACC Resources; and (iii) ACCBT. C&L Natural Resources focuses on oil production in West Africa and operates an oil and gas field with proven reserves of 20 million barrels of oil and an option to discover up to an additional 100 million barrels of oil. ACC Resources holds 10 permits for gold exploration in Burkina Faso. ACCBT focuses on new and emerging biotechnologies. Mr. Lebovits has been at the forefront of mining and natural resource management in the African region for close to a decade.

David Stolick joined the Company in February 2005 as our Chief Financial Officer. From January 1995 to April 2005, Mr. Stolick was Corporate Controller of M-Systems Flash Disk Pioneers Ltd., a NASDAQ listed company. In 1994, he served as Deputy Controller of Electronics Line Ltd., an Israeli publicly traded company, and from 1991 until 1994 he was Audit Manager at Goldstein, Sabbo, and Tebet Accountants. Mr. Stolick holds a B.A. in Economics and Accounting from Ben-Gurion University. He has been qualified as a certified accountant in Israel since 1993.

Executive Compensation

Summary Compensation

The following table sets forth certain summary information with respect to the compensation paid during the fiscal year ended December 31, 2007 and the 12-month period ended December 31, 2006 earned by each of the following individuals: (i) the Chief Executive Officer, (ii) the President, (iii) the Chief Financial Officer and (iv) the former Chief Operating Officer (together, the “Named Executive Officers”). In the table below, columns required by the regulations of the SEC have been omitted where no information was required to be disclosed under those columns.

SUMMARY COMPENSATION TABLE (*)

Name and Principal Position	Year (1)	Salary ($)	Option Awards ($) (2)	All Other Compensation ($)(3)	Total ($)
Abraham (Rami) Efrati	2007	39,565	46,130	11,468	97,163

Chief Executive Officer					
Chaim Lebovits President	2007	-	-	-	-
David Stolick	2007	86,931	299,365	34,057	420,353
Chief Financial Officer	2006	85,127	355,869	34,703	475,699
Yoram Drucker	2007	73,460	276,385	30,833	380,678
Former Chief Operating Officer	2006	78,688	321,504	32,201	432,393

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

(1) On September 17, 2006, the Company changed its fiscal year end from March 31 to December 31. The table above shows compensation for the 12-month period ended December 31, 2006. Accordingly, the amounts shown for December 31, 2006 include amounts paid for the period from January 1, 2006 through March 31, 2006.

(2) The value of the option awards are determined in accordance with SFAS 123(R) as disclosed in Footnote 2(j) to the Consolidated Financial Statements included in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2007. There can be no assurance that the amounts calculated under SFAS 123(R) will be realized and amounts realized could ultimately exceed the amounts calculated under SFAS 123(R).

(3) Includes management insurance (which includes pension, disability insurance and severance pay), payments towards such employee's education fund, amounts paid for use of a Company car and Israeli social security.

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

Abraham Efrati. Pursuant to his employment agreement dated October 7, 2007, Mr. Efrati is entitled to an initial base salary of 50,000 NIS per month (approximately $14,285).

Mr. Efrati is entitled to coverage under our Manager's Insurance Policy. Mr. Efrati is also entitled to an education fund and the use of a Company car.

Mr. Efrati's employment under his employment agreement is "at will". It may be terminated by him upon giving notice of ninety (90) days prior to his departure until the first anniversary of his employment and upon notice of one hundred and eighty (180) days notice after the first anniversary. The Company may terminate Mr. Efrati's employment with the same amount of notice, however the Company may also terminate Mr. Efrati by giving payment for the notice period in lieu of prior notice and may terminate Mr. Efrati without any notice or any compensation whatsoever if such termination is for cause (as "cause" is defined in Mr. Efrati's employment agreement).

Mr. Efrati has also agreed not to compete with the Company or solicit the Company's customers or employees during the term of his employment and for a period of twelve (12) months following the termination of his employment for any reason.

Chaim Lebovits. On February 11, 2008, the Company agreed that it would provide Mr. Lebovits with a salary of 37,450 NIS per month (approximately $10,400) starting February 15, 2008. The Company and Mr. Lebovits have not yet entered into a written agreement.

David Stolick. Pursuant to his employment agreement effective as of February 13, 2005 (the "Stolick Effective Date"), Mr. Stolick was entitled to an initial base salary of 20,000 NIS per month (approximately $4,470), which was increased six (6) months subsequent to the Stolick Effective Date, to 28,000 NIS per month. Mr. Stolick was granted, pursuant to the Company's Global Plan, options to purchase 400,000 shares of the Company's Common Stock at a price per share of $0.75 each, which options will vest and become exercisable in thirty-six equal monthly installments from the Stolick Effective Date. These options shall be exercisable by Mr. Stolick for a ten (10) year period following the Stolick Effective Date, but in any case not later than two (2) years after termination of the agreement. Mr. Stolick is entitled to coverage under the Company's Directors' and Officers' liability insurance policy and to a written undertaking from the Company and its subsidiary to indemnify and release him to the full extent possible in accordance with the Israeli Companies Law 5759-1999 and the applicable laws of the State of Delaware.

Mr. Stolick's employment agreement has no stated term and is terminable by either party upon 90 days prior notice or by the Company without prior notice in the event of a termination for cause. In the event that Mr. Stolick resigns as a result of constructive discharge, or in the event of termination of employment by reason of Mr. Stolick's disability or death, 67% of the remaining unvested options granted to Mr. Stolick shall vest immediately as of the date of the notice of termination, and Mr. Stolick or his successor shall be entitled to exercise the vested options from the date of such termination until the earlier of two (2) years thereafter or their expiration date. Mr. Stolick is prohibited, during the term of his employment and for a period of 12 months thereafter, from competing with the Company or its subsidiary or soliciting any of the Company's or its subsidiary's customers or employees.

Termination Agreement with Yoram Drucker

On December 17, 2007, the Company entered into a Termination Agreement (the "Termination Agreement") with Yoram Drucker, the Company's former Chief Operating Officer and former principal executive officer.

Under the Termination Agreement, the Company and Mr. Drucker agreed to terminate their employment relationship effective November 15, 2007. Pursuant to the Termination Agreement, the Company will pay in 7 monthly installments beginning on January 1, 2008 a total of $60,000 to Mr. Drucker, which represents compensation accrued but unpaid prior to November 15, 2007. Under the Termination Agreement, options granted on November 16, 2004 to Mr. Drucker to acquire 685,760 shares of the Company's Common Stock at an exercise price of $0.15 per share are fully vested and are exercisable until November 15, 2011. The options granted to Mr. Drucker on May 2, 2006 to acquire 100,000 shares of the Company's Common Stock at an exercise price of $0.15 per share are fully vested and are exercisable until November 15, 2009. The options granted to Mr. Drucker on March 21, 2007 to acquire 250,000 shares of the Company's Common Stock at an exercise price of $0.47 per share will continue to vest and be exercisable in accordance with the Option Agreement between Mr. Drucker and the Company dated March 31, 2007 as if his employment continued throughout the entire vesting period and will expire on March 21, 2010. All other options previously granted to Mr. Drucker were forfeited to the Company as of the date of the Termination Agreement.

Under the Termination Agreement, Mr. Drucker released the Company from any and all claims arising out of or related to his employment or termination from employment with the Company, except for (i) claims based on the enforcement of the Termination Agreement and (ii) claims based on events occurring after the date of the Termination Agreement.

Outstanding Equity Awards

The following table sets forth information regarding equity awards granted to any Named Executive Officer that are outstanding as of December 31, 2007. In the table below, columns required by the regulations of the SEC have been omitted where no information was required to be disclosed under those columns.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2007

	Option Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Abraham (Rami) Efrati	—	1,000,000(1)	0.87	October 23, 2017
Chaim Lebovits	—	—	—	—
David Stolick	377,778	22,222(2)	0.15	February 13, 2015
	100,000	—	0.15	May 1, 2016
	87,500	262,500(3)	0.47	March 20, 2017
Yoram Drucker	685,760	—	0.15	November 15, 2011
	100,000	—	0.15	November 15, 2009
	62,500	187,500(4)	0.47	March 20, 2010

(1) Mr. Efrati has the right to exercise 1/6 of the option each six-month anniversary of the grant date, October 15, 2007, at $0.87 per share until October 15, 2010.
(2) Mr. Stolick has the right to exercise 11,111 shares each month starting January 13, 2008 at $0.15 per share until Febraury 13, 2008.
(3) Mr. Stolick has the right to exercise 9,722 shares each month starting January 20, 2008 at $0.47 per share until March 20, 2010.
(4) Mr. Drucker has the right to exercise 6,944 shares each month starting January 20, 2008 at $0.47 per share until March 20, 2010.

Stock Incentive Plans

In November 2004 and February 2005, the Company’s Board of Directors adopted and ratified the Global Plan and the U.S. Plan, respectively, and further approved the reservation of 9,143,462 shares of the Company’s Common Stock for issuance thereunder. The Company’s stockholders approved the Plans and the shares reserved for issuance thereunder at a special meeting of stockholders that was held on March 28, 2005.

Under the Global Plan, the Company granted a total of 8,161,778 options with various exercise prices (a weighted average exercise price of $0.376 and expiration dates, to service providers, subcontractors, directors, officers, and employees. Under the U.S. Plan, the Company issued an additional 830,000 shares of restricted stock and options to Scientific Advisory Board members, consultants, and directors. As of March 31, 2008, there were 151,684 shares available for issuance under the Plans.

Director Compensation

The following table sets forth certain summary information with respect to the compensation paid during the fiscal year ended December 31, 2007 earned by each of the directors of the Company. In the table below, columns required by the regulations of the SEC have been omitted where no information was required to be disclosed under those columns.

DIRECTOR COMPENSATION TABLE

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)	Option Awards ($) (1)	Total ($)
Dr. Irit Arbel (*)	11,000	—	116,750(2)	127,750
Michael Greenfield (Ben Ari) (*)(3)	5,500	115,285(4)	—	120,785
Dr. Robert Shorr	10,500	80,383(5)	—	90,833
Dr. Moshe Lion	—	—	75,300(6)	75,300
Dr. Jonathan Javitt	—	—	83,600(7)	83,600

(*) Dr. Irit Arbel and Michael Greenfield (Ben Ari) are paid in New Israeli Shekel (NIS); the amounts above are the U.S. dollar equivalent. The conversion rate used was the average of the end of month’s rate between the U.S. dollar and the New Israeli Shekels (NIS) as published by the Bank of Israel, the central bank of Israel.

(1) The value of the stock awards and the option awards are determined in accordance with SFAS 123(R) as disclosed in Footnote 2(j) to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007. There can be no assurance that the amounts calculated under SFAS 123(R) will be realized and amounts realized could ultimately exceed the amounts calculated under SFAS 123(R).

(2) At December 31, 2007, options to purchase 300,000 shares of Common Stock granted to Dr. Arbel were outstanding.

(3) Mr. Greenfield resigned as a director on August 27, 2007.

(4) At December 31, 2007, Mr. Greenfield held an aggregate of 300,000 restricted shares.

(5) At December 31, 2007, Dr. Shorr held an aggregate of 300,000 restricted shares.

(6) At December 31, 2007, options to purchase 100,000 shares of Common Stock granted to Mr. Lion were outstanding.

(7) At December 31, 2007, options to purchase 100,000 shares of Common Stock granted to Dr. Javitt were outstanding.

We reimburse our directors for reasonable travel and other out-of-pocket expenses incurred in connection with attending board meetings. On May 27, 2005, we approved the following compensation for non-employee directors beginning with the fiscal year ended March 31, 2006: (i) annual retainer of $10,000; (ii) meeting participation fees of $1,000 for each board meeting or duly constituted committee thereof attended in person; and (iii) $500 for each meeting attended by telephone.

Certain Relationships and Related Transactions

The Audit Committee approves all related party transactions to which the Company is a party.

Research and License Agreement with Ramot

On July 8, 2004, we entered into our Research and License Agreement (the "Original Ramot Agreement") with Ramot, the technology licensing company of Tel Aviv University, which Agreement was amended on March 30, 2006 by the Amended Research and License Agreement (described below). Under the terms of the Original Ramot Agreement, Ramot granted to us an exclusive license to (i) the know-how and patent applications on the above-mentioned stem cell technology developed by