

American Airlines Group Inc.  
Form 8-K  
September 05, 2018

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d)**

**of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): September 5, 2018**

**AMERICAN AIRLINES GROUP INC.**

**AMERICAN AIRLINES, INC.**

**(Exact name of registrant as specified in its charter)**

<b>Delaware</b>	<b>1-8400</b>	<b>75-1825172</b>
<b>Delaware</b>	<b>1-2691</b>	<b>13-1502798</b>
<b>(State or other Jurisdiction</b>	<b>(Commission</b>	<b>(IRS Employer</b>
<b>of Incorporation)</b>	<b>File Number)</b>	<b>Identification No.)</b>

<b>4333 Amon Carter Blvd., Fort Worth, Texas</b>	<b>76155</b>
<b>4333 Amon Carter Blvd., Fort Worth, Texas</b>	<b>76155</b>
<b>(Address of principal executive offices)</b>	<b>(Zip Code)</b>

**Registrant's telephone number, including area code:**

**(817) 963-1234**

**(817) 963-1234**

**N/A**

**(Former name or former address if changed since last report.)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**ITEM 7.01. REGULATION FD DISCLOSURE.**

On September 5, 2018, American Airlines Group Inc. (the Company ) presented information relating to its financial and operational outlook at the 11<sup>th</sup> Annual Cowen Global Transportation Conference. This presentation is located on the Company s website at [www.aa.com/investorrelations](http://www.aa.com/investorrelations) under Presentations & Investor Updates. The presentation is also furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this Item 7.01, including Exhibit 99.1, is being furnished and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section and shall not be deemed incorporated by reference into any registration statement or other document filed pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

This document includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by words such as may, will, expect, intend, anticipate, believe, estimate, plan, project, could, should, would, continue, seek, target, guess, trends continue, optimistic, forecast and other similar words. Such statements include, but are not limited to, statements about future financial and operating results, the Company s plans, objectives, estimates, expectations, and intentions, estimates and strategies for the future, and other statements that are not historical facts. These forward-looking statements are based on the Company s current objectives, beliefs and expectations, and they are subject to significant risks and uncertainties that may cause actual results and financial position and timing of certain events to differ materially from the information in the forward-looking statements. These risks and uncertainties include, but are not limited to, those set forth in the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 (especially in Part I, Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations and Part II, Item 1A Risk Factors) and in the Company s other filings with the Securities and Exchange Commission ( SEC ), and other risks and uncertainties listed from time to time in the Company s other filings with the SEC. There may be other factors of which the Company is not currently aware that may affect matters discussed in the forward-looking statements and may also cause actual results to differ materially from those discussed. The Company does not assume any obligation to publicly update or supplement any forward-looking statement to reflect actual results, changes in assumptions or changes in other factors affecting these forward-looking statements other than as required by law. Any forward-looking statements speak only as of the date hereof or as of the dates indicated in the statements.

**ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.**

**(d) Exhibits.**

<b>Exhibit No.</b>	<b>Description</b>
99.1	<u>Investor Presentation, dated September 5, 2018.</u>

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, American Airlines Group Inc. has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**AMERICAN AIRLINES GROUP INC.**

Date: September 5, 2018

By: /s/ Derek J. Kerr  
Derek J. Kerr  
Executive Vice President and

Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, American Airlines, Inc. has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**AMERICAN AIRLINES, INC.**

Date: September 5, 2018

By: /s/ Derek J. Kerr  
Derek J. Kerr  
Executive Vice President and

Chief Financial Officer

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**PART I: FINANCIAL INFORMATION**

**SPECIAL NOTE**

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

Item 1. Financial Statements.

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

**CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2011**

**UNAUDITED**

**U.S. DOLLARS IN THOUSANDS**



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

CONSOLIDATED FINANCIAL STATEMENTS  
AS OF MARCH 31, 2011

UNAUDITED

U.S. DOLLARS IN THOUSANDS

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

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

(Except share data)

	March 31, 2011 Unaudited	December 31, 2010 Audited
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$3,664	\$ 93
Accounts other receivable and prepaid expenses	221	486
Total current assets	3,885	579
Long-Term Investments:		
Prepaid expenses	-	1
Severance pay fund	100	90
Total long-term investments	100	91
Property and Equipment, Net	418	419
Total assets	\$4,403	\$ 1,089
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)</b>		
Current Liabilities:		
Trade payables	\$401	\$ 307
Other accounts payable and accrued expenses	1,209	979
Short-term convertible note	-	137
Total current liabilities	1,610	1,423
Accrued Severance Pay	127	125
Total liabilities	1,737	1,548
Commitments And Contingencies Stockholders' Equity (Deficiency):		
Stock capital: (Note 8)	6	5
Common stock of \$0.00005 par value - Authorized: 800,000,000 shares at March 31, 2011 and December 31, 2010; Issued and outstanding: 121,034,291 and 95,832,978 shares at March 31, 2011 and December 31, 2010, respectively.		
Additional paid-in-capital	43,525	39,696
Deficit accumulated during the development stage	(40,865 )	(40,160 )
Total stockholders' equity (deficiency)	2,666	(459 )
Total liabilities and stockholders' equity	\$4,403	\$ 1,089

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



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

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three months ended March 31, 2011                  2010 Unaudited		Period from September 22, 2000 (inception date) through March 31, 2011 Unaudited
<b>Operating costs and expenses:</b>			
Research and development, net	\$270	\$239	\$ 23,000
General and administrative	258	370	15,056
<b>Total operating costs and expenses</b>	<b>528</b>	<b>609</b>	<b>38,056</b>
Financial income expenses, net	177	6	2,573
<b>Operating loss</b>	<b>705</b>	<b>615</b>	<b>40,629</b>
Taxes on income	-	-	72
<b>Loss from continuing operations</b>	<b>705</b>	<b>615</b>	<b>40,701</b>
<b>Net loss from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>164</b>
<b>Net loss</b>	<b>705</b>	<b>615</b>	<b>40,865</b>
<b>Basic and diluted net loss per share from continuing operations</b>	<b>\$0.01</b>	<b>\$0.01</b>	
Weighted average number of shares outstanding used in computing basic and diluted net loss per share	108,895,199	81,560,155	

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

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

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(except share data)

	Common stock Number	Common stock Amount	Additional paid-in capital	Deferred Stock - based compensation	Deficit accumulated during the development stage	Total stockholders' equity (deficiency)
Balance as of September 22, 2000 (date of inception)	-	\$-	\$-	\$ -	\$ -	\$ -
Stock issued on September 22, 2000 for cash at \$0.00188 per share	8,500,000	1	16	-	-	17
Stock issued on March 31, 2001 for cash at \$0.0375 per share	1,600,000	* -	60	-	-	60
Contribution of capital	-	-	8	-	-	8
Net loss	-	-	-	-	(17 )	(17 )
Balance as of March 31, 2001	10,100,000	1	84	-	(17 )	68
Contribution of capital	-	-	11	-	-	11
Net loss	-	-	-	-	(26 )	(26 )
Balance as of March 31, 2002	10,100,000	1	95	-	(43 )	53
Contribution of capital	-	-	15	-	-	15
Net loss	-	-	-	-	(47 )	(47 )
Balance as of March 31, 2003	10,100,000	1	110	-	(90 )	21
2-for-1 stock split	10,100,000	* -	-	-	-	-
Stock issued on August 31, 2003 to purchase mineral option at \$0.065 per share	100,000	* -	6	-	-	6
Cancellation of shares granted to Company's President	(10,062,000)	* -	* -	-	-	-
Contribution of capital	-	* -	15	-	-	15
Net loss	-	-	-	-	(73 )	(73 )
Balance as of March 31, 2004	10,238,000	\$ 1	\$ 131	\$ -	\$ (163 )	\$ (31 )

\* Represents an amount less than \$1.

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



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

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)**

U.S. dollars in thousands

(Except share data)

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

\* Represents an amount less than \$1.

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

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

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(except share data)

	Common stock		Additional	Deferred	Deficit	Total
	Number	Amount	paid-in	Stock - based	accumulated	stockholders'
			capital	compensation	during the	equity
					development	(deficiency)
					stage	
Balance as of March 31, 2005	20,867,808	\$1	\$25,101	\$ (5,395 )	\$ (19,003 )	\$ 704
Stock issued on May 12, 2005 for private placement at \$0.8 per share	186,875	* -	149	-	-	149
Stock issued on July 27, 2005 for private placement at \$0.6 per share	165,000	* -	99	-	-	99
Stock issued on September 30, 2005 for private placement at \$0.8 per share	312,500	* -	225	-	-	225
Stock issued on December 7, 2005 for private placement at \$0.8 per share	187,500	* -	135	-	-	135
Forfeiture of options granted to employees	-	-	(3,363 )	3,363	-	-
Deferred stock-based compensation related to shares and options granted to directors and employees	200,000	* -	486	(486 )	-	-
Amortization of deferred stock-based compensation related to options and shares granted to employees and directors	-	-	51	1,123	-	1,174
Stock-based compensation related to options and shares granted to service providers	934,904	* -	662	-	-	662
Reclassification due to application of ASC 815-40-25 (formerly EITF 00-19)	-	-	(7,906 )			(7,906 )
Beneficial conversion feature related to a convertible bridge loan	-	-	164	-	-	164
Net loss	-	-	-	-	(3,317 )	(3,317 )
Balance as of March 31, 2006	22,854,587	\$1	\$15,803	\$ (1,395 )	\$ (22,320 )	\$ (7,911 )
	-	-	(1,395 )	1,395	-	-

Elimination of deferred stock compensation due to implementation of ASC 718-10 (formerly SFAS 123(R))							
Stock-based compensation related to shares and options granted to directors and employees	200,000	* -	1,168	-	-		1,168
Reclassification due to application of ASC 815-40-25 (formerly EITF 00-19)	-	-	7,191	-	-		7,191
Stock-based compensation related to options and shares granted to service providers	1,147,225	-	453	-	-		453
Warrants issued to convertible note holder	-	-	11	-	-		11
Warrants issued to loan holder	-	-	110	-	-		110
Beneficial conversion feature related to convertible bridge loans	-	-	1,086	-	-		1,086
Net loss	-	-	-	-	(3,924	)	(3,924 )
Balance as of December 31, 2006	24,201,812	\$1	\$24,427	\$ -	\$ (26,244	)	\$ (1,816 )

\* Represents an amount less than \$1.

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

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

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)**

U.S. dollars in thousands

(Except share data)

	Common stock Number	Common stock Capital	Additional paid-in compensation	Deferred Stock - based stage	Deficit accumulated during the development stage	Total stockholders' equity (deficiency)
Balance as of December 31, 2006	24,201,812	\$1	\$ 24,427	\$ -	\$ (26,244 )	\$ (1,816 )
Stock-based compensation related to options and shares granted to service providers	544,095		1,446	-	-	1,446
Warrants issued to convertible note holder	-	-	109	-	-	109
Stock-based compensation related to shares and options granted to directors and employees	200,000	* -	1,232	-	-	1,232
Beneficial conversion feature related to convertible loans	-	-	407	-	-	407
Conversion of convertible loans	725,881	* -	224	-	-	224
Exercise of warrants	3,832,621	* -	214	-	-	214
Stock issued for private placement at \$0.1818 per unit, net of finder's fee	11,500,000	1	1,999	-	-	2,000
Net loss	-	-	-	-	(6,244 )	(6,244 )
Balance as of December 31, 2007	41,004,409	\$2	\$ 30,058	\$ -	\$ (32,488 )	\$ (2,428 )
Stock-based compensation related to options and stock granted to service providers	90,000	-	33	-	-	33
Stock-based compensation related to stock and options granted to directors and employees	-	-	731	-	-	731
Conversion of convertible loans	3,644,610	* -	1,276	-	-	1,276
Exercise of warrants	1,860,000	* -	-	-	-	-
Exercise of options	17,399	* -	3	-	-	3

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Stock issued for private placement at \$0.1818 per unit, net of finder's fee	8,625,000	1	1,499	-	-	1,500
Subscription of shares for private placement at \$0.1818 per unit	-	-	281	-	-	281
Net loss	-	-	-	-	(3,472 )	(3,472 )
Balance as of December 31, 2008	55,241,418	\$3	\$ 33,881	\$ -	\$ (35,960 )	\$ (2,076 )

\* Represents an amount less than \$1.

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

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)**

U.S. dollars in thousands

(Except share data)

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

\* Represents an amount less than \$1.

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

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

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands

(Except share data)

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

\* Represents an amount less than \$1.

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

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

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)**

U.S. dollars in thousands

(except share data)

	Common stock Number	Common stock Amount	Additional paid-in capital	Deferred Stock - based compensation	Deficit accumulated during the development stage	Total stockholders' equity (deficiency)
Balance as of December 31, 2010	95,832,978	\$5	\$39,696	\$ -	\$ (40,160 )	\$ (459 )
Stock-based compensation related to options and stock granted to service providers	-	-	(20 )	-	-	(20 )
Stock-based compensation related to stock and options granted to directors and employees	-	-	27	-	-	27
Stock issued for private placement	833,333	-	250	-	-	250
Conversion of convertible note	445,617	-	137	-	-	137
Exercise of options , net	94,764	-	55	-	-	55
Stock issued for private placement	13,327,600	1	3,356	-	-	3,357
Issuance of shares on account of previously subscribed shares (See also Note 7B.1.f)	10,499,999	-	24	-	-	24
Net loss	-	-	-	-	(705 )	(705 )
Balance as of March 31, 2011	121,034,291	\$6	43,525	\$ -	\$ (40,865 )	\$ 2,666

\* Represents an amount less than \$1.

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three months ended March 31,		Period from September 22, 2000 (inception date) through March 31, 2011
	2011	2010	2011
	Unaudited		Unaudited
<b>Cash flows from operating activities:</b>			
Net loss	\$(705 )	\$(615 )	\$ (40,865 )
Less - loss for the period from discontinued operations	-	-	164
Adjustments to reconcile net loss to net cash used in operating activities:			698
Depreciation and amortization of deferred charges	38	42	188
Severance pay, net	(8 )	12	27
Accrued interest on loans	-	-	448
Amortization of discount on short-term loans	-	-	1,864
Change in fair value of options and warrants	-	-	(795 )
Expenses related to shares and options granted to service providers	(20 )	87	21,017
Stock-based compensation granted to employees	27	96	5,713
Decrease (increase) in other accounts receivable and prepaid expenses	265	(65 )	(221 )
Increase (decrease) in trade payables	94	(61 )	874
Increase (decrease) in other accounts payable and accrued expenses	254	(94 )	1,715
Erosion of restricted cash	-	-	(6 )
Net cash used in continuing operating activities	(55 )	(598 )	(9,179 )
Net cash used in discontinued operating activities	-	-	(23 )
Total net cash used in operating activities	(55 )	(598 )	(9,202 )
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	(37 )	(4 )	(1,122 )
Restricted cash	-	-	6
Investment in lease deposit	1	-	-
Net cash used in continuing investing activities	(36 )	(4 )	(1,116 )
Net cash used in discontinued investing activities	-	-	(16 )
Total net cash used in investing activities	(36 )	(4 )	(1,132 )
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of Common stock, net	3,607	1,800	12,324
Proceeds from loans, notes and issuance of warrants, net	-	-	2,061
Credit from bank	-	(37 )	-
Proceeds from exercise of warrants and options	55	53	171
Repayment of short-term loans	-	-	(601 )
Net cash provided by continuing financing activities	3,662	1,816	13,955

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Net cash provided by discontinued financing activities	-	-	43
Total net cash provided by financing activities	3,662	1,816	13,998
Increase in cash and cash equivalents	3,571	1,214	3,664
Cash and cash equivalents at the beginning of the period	93	1	-
Cash and cash equivalents at end of the period	3,664	1,215	3,664

Non-cash financing activities:

Conversion of convertible loan and convertible note to shares			
Conversion of trade payable to Common Stock \$84	137	324	
Conversion of other accounts payable to Common Stock	24		

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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

NOTE 1 - GENERAL

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

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

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

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

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

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

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

H. Since inception, the Company has devoted substantially all of its efforts to research and development, recruiting management and technical staff, acquiring assets and raising capital. In addition, the Company has not generated revenues. Accordingly, the Company is considered to be in the development stage, as defined in Statement of Financial Accounting Standards No. 7, "Accounting and reporting by development Stage Enterprises" ASC 915-10 (formerly "SFAS" 7).

I. In October 2010, the Israeli Ministry of Health granted clearance for a Phase I/II clinical trial using the Company's autologous NurOwn™ stem cell therapy in patients with ALS, subject to some additional process specifications as well as completion of the sterility validation study for tests performed. This clearance is a significant milestone for the Company and may expedite further fundraisings.

On February 23, 2011, the Company submitted to the MOH the sterility validation study report, as required in the clearance granted by the MOH to the Company in October 2010, for a Phase I/II clinical trial using the Company's autologous NurOwn™ stem cell therapy in patients with ALS.

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



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

Notes to the financial statements

NOTE 1 - GENERAL (Cont.)

GOING CONCERN

As reflected in the accompanying financial statements, the Company's operations for the three months ended on March 31, 2011, resulted in a net loss of \$705. The Company's balance sheet reflects accumulated deficit of \$40,865. These conditions, together with the fact that the Company is a development stage and have no revenues nor that revenues are expected in the near future, raise substantial doubt about the Company's ability to continue to operate as a going concern. The Company's ability to continue operating as a "going concern" is dependent on several factors, among them is its ability to raise sufficient additional working capital.

As a result of the past difficulty, to raise sufficient funds, to support all of the Company's projects, the Company decided to reduce its activity and focus only on the effort to commence clinical trials in ALS amyotrophic lateral sclerosis (ALS) in 2011. During the first quarter of 2010, the Company entered into an agreement with Hadassah Medical Centre to conduct clinical trials in up to 26 ALS patients in 2011.

In February 2011, the Company raised approximately \$3.8 million from institutional and private investors. However, there can be no assurance that additional funds will be available on terms acceptable to the Company, or at all.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2010 are applied consistently in these financial statements.

NOTE 3 - UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements have been prepared in a condensed format and include the consolidated financial operations of the Company and its wholly-owned subsidiary as of March 31, 2011 and for the three months then ended, in accordance with accounting principles generally accepted in the United States relating to the preparation of financial statements for interim periods. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2011, may not necessarily be indicative of the results that may be expected for the year ended December 31, 2011.

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.

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

Notes to the financial statements

NOTE 4 - RESEARCH AND LICENSE AGREEMENT (Cont.)

As of December 24, 2009, the Company had paid to Ramot \$400 but did not make payments totaling \$240 for the initial research period and payments totaling \$380 for the extended research period.

On December 24, 2009, the Company and Ramot entered into a settlement agreement which amended the Research and License Agreement, as amended and restated pursuant to which, among other things, the following matters were agreed upon:

- a) Ramot released the Company from its obligation to fund the extended research period in the total amount of \$1,140. Therefore, the Company reversed an expense in 2009, equal to \$760, from its research and development expenses that were previously expensed.
- b) Past due amounts of \$240 for the initial research period plus interest of \$32 owed by the Company to Ramot were converted into 1,120,000 shares of Common Stock on December 30, 2009. Ramot was required to deposit the shares with a broker and only sell the shares in the open market after 185 days from the issuance date.
- c) In the event that the total proceeds generated by sales of the shares on December 31, 2010, together with the March 31, 2010 payment, are less than \$240 on or prior to December 31, 2010, then on such date the Company would be required to pay to Ramot the difference between the proceeds that Ramot has received from sales of the shares up to such date together with the September Payment (if any) that has been transferred to Ramot up to such date, and \$240. Related compensation in the amount of \$51 was recorded as research and development expenses.

In January 2011, Ramot exercised additional 167,530 Common Stock of the Company, for \$35, which finalized the sale of the 1,120,000 Common Stock of the Company granted to Ramot for \$235. In February 2011, the Company paid the remaining \$5 and finalized the balance due to Ramot according to the settlement agreement between the parties dated December 24, 2009.

NOTE 5 - CONSULTING AGREEMENTS

- A. On July 8, 2004, the Company entered into consulting agreements with each of Prof. Eldad Melamed and Dr. Daniel Offen (together, the "Consultants"), under which the Consultants provide the Company scientific and medical consulting services in consideration for a monthly payment of \$6 each. In addition, the Company granted each of the Consultants, a fully vested warrant to purchase 1,097,215 shares of Common Stock at an exercise price of \$0.01 per share. The warrants issued pursuant to the agreements were issued to the Consultants effective as of November 4, 2004. Each of the warrants was exercisable for a seven-year period beginning on November 4, 2005. As of September 2010, all the above warrants had been exercised.
- B. On December 16, 2010, the Company granted to the consultants 1,100,000 shares of the Company's Common Stock for services rendered through December 31, 2010. Related compensation in the amount of \$220 is recorded as research and development expense.
- C.

As of March 31, 2011, the Company had a total liability of \$212 for services rendered by the Consultants under the abovementioned agreements.

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

Notes to the financial statements

NOTE 6 - SHORT-TERM CONVERTIBLE NOTE

On December 13, 2009, the Company issued a \$135 Convertible Promissory Note to its legal advisor for \$217 in legal fees accrued through October 31, 2009. Interest on the Note accrued at the rate of 4%. The legal advisor had the right at any time to convert all or part of the outstanding principal and interest amount of the note into shares of Common Stock based on the five day average closing stock price prior to conversion election.

The difference between the amount the Company owed to the legal advisor and the principal of the Convertible Promissory Note in the amount of \$82 was deducted from general and administrative expenses. Since the outcome of the issuance of the shares was to relieve the debtor from its obligation, based on guidance in ASC 860-10 and ASC 450-20 Extinguishment of Liabilities” the Company derecognized the liability with the difference recognized in earnings.

On February 19, 2010, the Company's legal advisor converted the entire accrued principal and interest of a \$135 Convertible Promissory Note into 402,385 shares of Common Stock.

On September 15, 2010, the Company issued a \$135 Convertible Promissory Note to its legal advisor for certain legal fees accrued through December 31, 2010. Interest on the Note was at the annual rate of 4%. The legal advisor had the right at any time to convert all or part of the outstanding principal and interest amount of the note into shares of Common Stock based on the five day average closing stock price prior to conversion election.

On February 18, 2011, the legal advisor converted the entire accrued principal and interest into 445,617 shares of Common Stock.

NOTE 7 - SHORT-TERM LOANS

In March 2007, the Company issued a \$150 convertible note to a lender, with an annual interest rate of 8% for the first year, with an increase up to 10% after the first year. On January 27, 2010, the lender converted the entire accrued principal and interest of \$189 into 1,016,109 shares of Common Stock of the Company.

Since the outcome of the issuance of the shares was to relieve the debtor from its obligation, based on guidance in ASC 860-10 and ASC 450-20 Extinguishment of Liabilities” the Company derecognized the liability with the difference recognized in earnings.

NOTE 8 - STOCK CAPITAL

A.The rights of Common Stock are as follows:

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

The Common Stock is registered and publicly traded on the Over-the-Counter Bulletin Board service of the FINRA, under the symbol BCLI.



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

Notes to the financial statements

NOTE 8 - STOCK CAPITAL (Cont.)

B. Issuance of shares warrants and options:

1. Private placements:

- a) On June 24, 2004, the Company issued to investors 8,510,000 shares of Common Stock for total proceeds of \$60 (net of \$25 issuance expenses).
- b) On February 23, 2005, the Company completed a private placement for the sale of 1,894,808 units for total proceeds of \$1,418. Each unit consists of one share of Common Stock and a three-year warrant to purchase one share of Common Stock at \$2.50 per share. This private placement was consummated in three tranches which closed in October 2004, November 2004 and February 2005.
- c) On May 12, 2005, the Company issued to an investor 186,875 shares of Common Stock at a price of \$0.8 per share for total proceeds of \$149.
- d) On July 27, 2005, the Company issued to investors 165,000 shares of Common Stock at a price of \$0.6 per share for total proceeds of \$99.
- e) On August 11, 2005, the Company signed a private placement agreement with investors for the sale of up to 1,250,000 units at a price of \$0.8 per unit. Each unit consists of one share of Common Stock and one warrant to purchase one share of Common Stock at \$1.00 per share. The warrants are exercisable for a period of three years from issuance. On March 31, 2005, the Company sold 312,500 units for total net proceeds of \$225. On December 7, 2005, the Company sold 187,500 units for total net proceeds of \$135.
- f) On July 2, 2007, the Company entered into an investment agreement, pursuant to which the Company agreed to sell up to 27,500,000 shares of Common Stock, for an aggregate subscription price of up to \$5 million and warrants to purchase up to 30,250,000 shares of Common Stock. Separate closings of the purchase and sale of the shares and the warrants were originally scheduled to take place as follows:

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

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On August 18, 2009, the Company entered into an amendment to the investment agreement with the investor providing for the following:

- (a) The investor shall invest the remaining amount of the original investment agreement at price per share of \$0.12 in monthly installments of not less than \$50 starting August 1, 2009. The investor may accelerate such payments in its discretion.

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

Notes to the financial statements

NOTE 8 - STOCK CAPITAL (Cont.)

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

1.Private placements: (Cont.)

f)(Cont.)

(b)The exercise price of the last 10,083,334 warrants was reduced from an exercise price of \$0.36 per share to \$0.29 per share.

(c)All warrants expire on November 5, 2013 instead of November 5, 2011.

(d)The price per share of the investment agreement decreased from \$0.1818 to \$0.12, therefore the Company adjusted the number of Shares of Common Stock issuable pursuant the investment agreement retroactively and issued to the investor on October 28, 2009 an additional 9,916,667 shares of Common Stock for past investment.

(e)The investor has the right to cease payments in the event that the price per share as of the closing on five consecutive trading days shall decrease to \$0.05.

On January 18, 2011, the Company and an investor signed an agreement to offset amounts due to the investor, totaling \$20, against the remaining balance of the investment. The Company issued to the investor 10,499,999 shares of Common Stock and a warrant to purchase 4,539,500 shares of the Company's Common Stock at an exercise price of \$0.20 per share

As of March 31, 2011, the Company issued to the investor and its designees an aggregate of 41,666,667 shares of common stock and a warrant to purchase 10,083,333 shares of the Company's common stock at an exercise price of \$0.20 per share and a warrant to purchase 20,166,667 shares of common stock at an exercise price of \$0.29 per share. The warrants may be exercised at any time and expire on November 5, 2013.

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

As of December 31, 2010, the introduction fee was paid in full.

g)In January 2010, the Company issued 1,250,000 units to a private investor for total proceeds of \$250. Each unit consists of one share of Common Stock and a two-year warrant to purchase one share of Common Stock at \$0.50 per share.

h)In February 2010, the Company issued 6,000,000 shares of Common Stock to three investors (2,000,000 to each investor) and warrants to purchase an aggregate of 3,000,000 shares of Common Stock (1,000,000 to each investor) with an exercise price of \$0.5 for aggregate proceeds of \$1,500 (\$500 each) through February 17, 2012.



i) On February 7, 2011, the Company issued 833,333 shares of Common Stock, at a price of \$0.3 per share, and a warrant to purchase 641,026 shares of the Company's Common Stock at an exercise price of \$0.39 per share for one year for total proceeds of \$250.

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

Notes to the financial statements

NOTE 8 - STOCK CAPITAL (Cont.)

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

1. Private placements: (Cont.)

j) On February 23, 2011, the Company entered into an investment agreement, pursuant to which the Company sold 12,815,000 shares of Common Stock, for an aggregate subscription price of \$3.6 million and warrants to purchase up to 19,222,500 shares of Common Stock as follows: warrant to purchase 12,815,000 shares of Common Stock at \$0.5 for two years, and warrants to purchase 6,407,500 shares of Common Stock at \$0.28 for one year.

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

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

a) Options to employees and directors:

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

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

On June 5, 2008, the Company's stockholders approved an 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 under these stock option plans in the aggregate by 5,000,000 shares.

As of March 31, 2011, 1,392,452 options are available for future grants.

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

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

On May 2, 2006, the Company granted to one of its directors an option to purchase 100,000 shares of Common Stock at an exercise price of \$0.15 per share. The option is fully vested and expires after 10 years. The compensation related

to the option, in the amount of \$48, was recorded as general and administrative expense.

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

Notes to the financial statements

NOTE 8 - STOCK CAPITAL (Cont.)

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

2.Share-based compensation to employees and to directors: (Cont.)

a)Options to employees and directors: (Cont.)

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

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

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

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

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

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

On October 23, 2007, the Company granted to its Chief Executive Officer an option to purchase 1,000,000 shares of Common Stock at an exercise price of \$0.87 per share. The option is fully vested and expires after 10 years. The total compensation related to the option is \$733, which is amortized over the vesting period as general and administrative expense.

On November 5, 2008, the Company entered into an amendment to the Company's option agreement with the Company's Chief Executive Officer. The amendment changes the exercise price of the option for the purchase 1,000,000 shares from \$0.87 to \$0.15 per share. The compensation related the modification of the purchase price in the amount of \$4 was recorded as general and administrative expense.



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

Notes to the financial statements

NOTE 8 - STOCK CAPITAL (Cont.)

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

2.Share-based compensation to employees and to directors: (Cont.)

a)Options to employees and directors: (Cont.)

On June 29, 2009, the Company granted to its Chief Executive Officer and director an option to purchase 1,000,000 shares of Common Stock at an exercise price of \$0.067 per share. The option vests with respect to 1/3 of the shares subject to the option on each anniversary of the date of grant and expires after 10 years. The total compensation related to the option is \$68, which is amortized over the vesting period as general and administrative expense.

On June 29, 2009, the Company granted to its former Chief Financial Officer an option to purchase 200,000 shares of Common Stock at an exercise price of \$0.067 per share. The option vested with respect to 1/3 of the shares subject to the option. In connection with the former Chief Financial Officer's resignation, 2/3 of the above shares were cancelled and the remaining 66,667 remain exercisable through April 7, 2011.

On August 31, 2009, the Company granted to two of its directors an option to purchase 100,000 shares of Common Stock at an exercise price of \$0.15 per share. Each option vests with respect to 1/3 of the shares subject to the option on each anniversary of the date of grant and expires after 10 years. The total compensation related to the option is \$32, which is amortized over the vesting period as general and administrative expense.

On December 13, 2009, the Company granted to one of its directors an option to purchase 100,000 shares of Common Stock at an exercise price of \$0.15 per share. The option is fully vested and is exercisable for a period of 10 years. The compensation related to the option, in the amount of \$21, was recorded as general and administrative expense.

On February 10, 2010, the Company granted to an employee an option to purchase 30,000 shares of Common Stock at an exercise price of \$0.32 per share. The option vests with respect to 1/3 of the shares subject to the option on each anniversary of the date of grant and expires after 10 years. The total compensation related to the option is \$9, which is amortized over the vesting period as research and development expense.

On April 13, 2010, the Company, Abraham Israeli and Hadasit Medical Research Services and Development Ltd. ("Hadasit") entered into an Agreement (the "Agreement") pursuant to which Mr. Israeli agreed, during the term of the Agreement, to serve as (i) the Company's Clinical Trials Advisor and (ii) a member of the Company's Board of Directors. In consideration of the services to be provided by Mr. Israeli to the Company under the Agreement, the Company agreed to grant options annually during the term of the Agreement for the purchase of its Common Stock, as follows:

- An option for the purchase of 166,666 shares of Common Stock at an exercise price equal to \$0.00005 per share to Mr. Israeli; and
  - An option for the purchase of 33,334 shares of Common Stock at an exercise price equal to \$0.00005 per share to Hadasit,
- \* Such options will vest and become exercisable in twelve (12) consecutive equal monthly amounts.



BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY  
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Notes to the financial statements

NOTE 8 - STOCK CAPITAL (Cont.)

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

2.Share-based compensation to employees and to directors: (Cont.)

a)Options to employees and directors: (Cont.)

On January 30, 2011, the Company signed an agreement with a new COO and acting CEO. According to the employment agreement, the new COO received 450,000 options to purchase Common Stock of the Company at \$0.20.

In February 2011, two employees exercised 66,667 options for \$16.

b)Restricted shares to directors:

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

	Amount of options	For the period ended March 31, 2011 Weighted average exercise price \$	Aggregate intrinsic value \$
Outstanding at beginning of period	6,893,024	0.183	-
Granted	-	-	-
Exercised	(222,997 )	0.15	-
Cancelled	(982,601 )	0.15	-
Outstanding at end of period	5,687,426	0.184	1,045,634
Vested and expected-to-vest at end of period	6,893,024	0.184	1,264,634

On May 2, 2006, the Company issued to two of its directors 200,000 restricted shares of common stock (100,000 each). The restrictions on the shares have fully lapsed. The compensation related to the stocks issued amounted to \$104, which was amortized over the vesting period as general and administrative expenses.



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On April 20, 2007, based on a board resolution dated March 21, 2007, the Company issued to a director 100,000 restricted shares of Common Stock. The restrictions on the shares have fully lapsed. The compensation related to the shares issued amounted to \$47, which was amortized over the vesting period as general and administrative expenses.

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

Notes to the financial statements

NOTE 8 - STOCK CAPITAL (Cont.)

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

2.Share-based compensation to employees and to directors: (Cont.)

b)Restricted shares to directors (Cont.):

In addition, on April 20, 2007, based on a board resolution dated March 21, 2007, the Company issued to another director 100,000 restricted shares of Common Stock. The restricted shares are not subject to any right to repurchase, and the compensation related to the shares issued amounted to \$47 was recorded as prepaid general and administrative expenses in the three months ended March 31, 2007.

On August 27, 2008, the Company issued to a director 960,000 shares of Common Stock upon a cashless exercise by a shareholder of a warrant to purchase 1,000,000 shares of Common Stock at an exercise price of \$.01 per share that was acquired by the shareholder from Ramot. The shares were allocated to the director by the shareholder.

In May 2010, based on a board resolution dated June 29, 2009, the Company issued to three of its directors 300,000 (total) restricted shares of Common Stock. The restrictions of the shares shall lapse in three annual and equal portions commencing with the grant date.

In May and in June 2010, based on a board resolution dated June 29, 2009, the Company issued to three of its Scientific Advisory Board members and two of its Advisory Board members 500,000 restricted shares of common stock. The restrictions of the shares shall lapse in three annual and equal portions commencing with the grant date.

On April 6, 2010, Prof. Melamed fully exercised his warrant to purchase 1,097,215 shares of the Company's Common Stock. The warrant was issued to him pursuant to the agreement with the Consultant effective as of November 4, 2004.

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(A development stage company)

Notes to the financial statements

NOTE 8 - STOCK CAPITAL (Cont.)

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

3.Shares and warrants to investors and service providers:

a)Warrants to investors and service providers and investors:

Issuance date	Number of warrants issued	Exercised	Forfeited	Outstanding	Exercise Price \$	Warrants exercisable	Exercisable through
November 2004	12,800,845	10,511,069	151,803	2,137,973	0.01	2,137,973	November 2012
December 2004	1,800,000	1,800,000	-	-	0.00005	—	-
February 2005	1,894,808	-	1,894,808	-	2.5	-	-
May 2005	47,500	-	47,500	-	1.62	-	-
June 2005	30,000	-	-	30,000	0.75	30,000	June 2015
August 2005	70,000	-	70,000	-	0.15	-	-
September 2005	3,000	3,000	-	-	0.15	-	-
September 2005	36,000	-	36,000	-	0.75	-	-
September-December 2005	500,000	-	500,000	-	1	-	-
December 2005	20,000	20,000	-	-	0.15	-	-
December 2005	457,163	-	-	457,163	0.15	457,163	December 2015
February 2006	230,000	-	-	230,000	0.65	230,000	February 2016
February 2006	40,000	-	40,000	-	1.5	-	-
February 2006	8,000	-	8,000	-	0.15	-	-
February 2006	189,000	97,696	91,304	-	0.5	-	-
May 2006	50,000	-	-	50,000	0.0005	50,000	May 2016
May -December 2006	48,000	-	-	48,000	0.35	48,000	May - December 2011
May -December 2006	48,000	-	-	48,000	0.75	48,000	May - December 2011
May 2006	200,000	-	-	200,000	1	200,000	May 2011
June 2006	24,000	-	-	24,000	0.15	24,000	June 2011
May 2006	19,355	-	-	19,355	0.15	19,355	May 2011
October 2006	630,000	630,000	-	-	0.3	-	-
December 2006	200,000	-	200,000	-	0.45	-	-
March 2007	200,000	-	-	200,000	0.47	200,000	-

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						March 2012
March 2007	500,000		500,000	0.47	458,333	March 2017
March 2007	50,000	50,000	-	0.15	-	-
March 2007	15,000		15,000	0.15	15,000	February 2012
February 2007	50,000	50,000	-	0.45	-	-
March 2007	225,000	225,000	-	0.45	-	-
March 2007	50,000		50,000	0.45	50,000	March 2012
April 2007	33,300	33,300	-	0.45	-	-
May 2007	250,000	250,000	-	0.45	-	-
July 2007	500,000		500,000	0.39	500,000	July 2017
September 2007	500,000		500,000	0.15	500,000	August 2017
August 2007	7,562,500		7,562,500	0.2	7,562,500	November 2013
July 2007	30,000	30,000	-	0.45	-	-
July 2007	100,000	100,000	-	0.45	-	-
October 2007	200,000		200,000	0.15	200,000	August-October 2017
November 2007	2,520,833		2,520,833	0.20	2,520,833	November 2013
November 2007	2,016,667		2,016,667	0.29	2,016,667	November 2013
April 2008	4,537,500		4,537,500	0.29	4,537,500	November 2013
August 2008	3,529,166		3,529,166	0.29	3,529,166	November 2013
August 2008	1,008,334		1,008,334	0.29	1,008,333	November 2013
November 2008	100,000		100,000	0.15	100,000	September 2018
April 2009	200,000		200,000	0.1	200,000	April 2019
October 2009	200,000		200,000	0.067	66,667	October 2019
October 2009	4,537,500		4,537,500	0.29	4,537,500	November 2013
January 2010	1,250,000		1,250,000	0.5	1,250,000	January 2012
February 2010	125,000		125,000	0.01	125,000	February 2012
February 2010	3,000,000		3,000,000	0.5	3,000,000	February 2012
January 2011	4,537,500		4,537,500	0.29	4,537,500	November 2013
February 2011	641,026		641,026	0.39	641,026	February 2012
February 2011	6,407,500		6,407,500	0.28	6,407,500	

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						February 2012		
February 2011	12,815,000				12,815,000	0.5	12,815,000	February 2013
	77,037,497	13,061,765	3,777,715	60,198,017			60,023,016	

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BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

NOTE 8 - STOCK CAPITAL (Cont.)

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

3.Shares and warrants to service providers: (Cont.)

a)Warrants: (Cont.)

The fair value for the warrants to service providers was estimated on the date of grant using a Black-Scholes option pricing model, with the following weighted-average assumptions for the 3 month activity ended on March 31, 2011; weighted average volatility of 134%-141%, risk free interest rates of 2.26%-3.47% dividend yields of 0% and a weighted average life of the options of 6-10 years.

b)Shares:

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

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

On February 10, 2005, the Company signed an agreement with one of its service providers under which the Company issued to the service provider 100,000 restricted shares at a purchase price of \$0.00005 par value under the U.S. Stock Option and Incentive Plan of the Company. All restrictions on these shares have lapsed.

In March and April 2005, the Company signed an agreement with four members of its Scientific Advisory Board under which the Company issued to the members of the Scientific Advisory Board 400,000 restricted shares at a purchase price of \$0.00005 par value under the U.S. Stock Option and Incentive Plan (100,000 each). All restrictions on these shares have lapsed.

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

In January 2006, the Company issued to two service providers 350,000 restricted shares at a purchase price of \$0.00005 par value under the U.S. Stock Option and Incentive Plan of the Company. All restrictions on these shares have lapsed. Related compensation in the amount of \$23 was recorded as general and administrative expense.

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

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

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

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

Notes to the financial statements

NOTE 8 - STOCK CAPITAL (Cont.)

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

3.Shares and warrants to service providers: (Cont.)

b)Shares: (Cont.)

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

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

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

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

On September 17, 2006, the Company issued to its legal advisor 231,851 shares of Common Stock in lieu of \$63 payable to the legal advisor. Related compensation in the amount of \$63 was recorded as general and administrative expense.

On April 1 and March 31, 2006, the Company issued to its business Related compensation in the amount of \$74 was recorded as general and administrative expense

On February 16, 2011, one of the Company's consultants exercised 100,000 warrants to Common Stock for \$33.

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

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

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



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

BRAINSTORM CELL THERAPEUTICS INC. AND SUBSIDIARY

(A development stage company)

Notes to the financial statements

NOTE 8 - STOCK CAPITAL (Cont.)

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

3.Shares and warrants to service providers: (Cont.)

b)Shares: (Cont.)

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

On May 20, 2008, the Company issued to its finance advisor 90,000 shares of the Company's Common Stock. The shares were for \$35 payable to the finance advisor for introduction fee of past convertible loans. Related compensation in the amount of \$36 was recorded as finance expenses.

On April 5, 2009, the Company issued to its Chief Technology Advisor 1,800,000 shares of Common Stock. The shares were for \$180 payable to the advisor. Related compensation in the amount of \$144 was recorded as research and development expense.

On June 24, 2009, the Company issued to its public relation advisor 250,000 shares of Common Stock. The shares were for \$25 payable to the advisor. Related compensation in the amount of \$18 was recorded as general and administrative expense.

On July 8, 2009, the Company issued to its finance consultant 285,714 shares of the Company's Common Stock. The shares were for \$20 payable to the finance consultant for valuation of options and warrants. Related compensation in the amount of \$20 was recorded as general and administrative expense.

On July 15, 2009, the Company issued to a service provider 357,142 shares of the Company's Common Stock. The shares were for \$25 payable to the service provider for filing services. Related compensation in the amount of \$21 was recorded as general and administrative expense.

On August 10, 2009, the Company issued to a service provider 71,428 shares of the Company's Common Stock. The shares were for \$5 payable to the service provider for IT services. Related compensation in the amount of \$4 was recorded as general and administrative expense.

On January 5, 2010, the Company issued to its public relation advisors 50,000 shares of the Company's Common Stock for six months service. The issuance of the shares is part of the agreement with the public relation advisors that entitle them to a monthly grant of 8,333 shares of the Company's Common Stock. Related compensation in the amount of \$12 was recorded as general and administrative expense.

On January 6, 2010, the Company issued to a service provider 60,000 shares of the Company's Common Stock. The shares were for \$15 payable to the service provider for insurance and risk management consulting and agency services for three years. Related compensation in the amount of \$16 was recorded as general and administrative expense.

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On March 5, 2007, the Company issued a \$150 Convertible Promissory Note to a third party. Interest on the note accrued at the rate of 8% per annum for the first year and 10% per annum after the first year. On January 27, 2010, the third party converted the entire accrued principal and interest outstanding under the note, amounting to \$189, into 1,016,109 shares of Common Stock.

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

Notes to the financial statements

NOTE 8 - STOCK CAPITAL (Cont.)

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

3.Shares and warrants to service providers: (Cont.)

b)Shares: (Cont.)

On December 13, 2009, the Company issued a \$135 Convertible Promissory Note to its legal advisor for \$217 in legal fees accrued through October 31, 2009. Interest on the note accrued at the rate of 4%. On February 19, 2010, the Company's legal advisor converted the entire accrued principal and interest of outstanding under the note into 402,385 shares of Common Stock.

In May 2010, based on a board resolution dated June 29, 2009, the Company issued to one of its public relation advisor 100,000 restricted shares of Common Stock. The restrictions of the shares shall lapse in three annual and equal portions commencing with the grant date.

On December 16, 2010, the Company issued to its service provider 83,333 shares of the Company's Common Stock. The shares are for investor and public relation services. Related compensation in the amount of \$40 is recorded as general and administrative expense.

On December 16, 2010, the Company issued to its Chief Medical Advisor 900,000 shares of the Company's Common Stock for services rendered through December 31 2010. Related compensation in the amount of \$180 is recorded as research and development expense (see Note 5B).

On December 16, 2010, the Company issued to its Chief Scientist 200,000 shares of the Company's Common Stock for services rendered through December 31, 2010. Related compensation in the amount of \$40 is recorded as research and development expense (see Note 5B).

On February 18, 2011, the Company's legal advisor converted the entire accrued principal and interest of the Convertible Promissory Note granted on September 15, 2010, totaling \$137, into 445,617 shares of Common Stock.

The total stock-based compensation expense, related to shares, options and warrants granted to employee's directors and service providers, was comprised, at each period, as follows:

	Three months ended March 31		Period from September 22, 2000 (inception date) through March 30, 2010
	2011	2010	
	Unaudited		Unaudited
Research and development	\$ 9	\$ 30	\$ 17,248

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General and administrative	(2 )	155	9,036
Financial expenses, net	-	-	56
Total stock-based compensation expense	\$ 7	\$ 185	\$ 26,340

NOTE 9 - SUBSEQUENT EVENTS

In April 2011, one of the Company's former employees exercised 125,350 options for \$37.

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. 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, 2010. 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 variations. 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. 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

Brainstorm Cell Therapeutics Inc. ("Brainstorm" or the "Company") is a leading company developing stem cell therapeutic products based on technologies enabling the in-vitro differentiation of bone marrow stem cells into neural-like cells. The Company aims to become a leader in adult stem cell transplantation for neurodegenerative diseases. Our technology entails exploiting the patient's own bone marrow stem cells to generate glial-like cells that may provide an effective treatment for Amyotrophic Lateral Sclerosis ("ALS"), Parkinson's Disease ("PD"), Multiple Sclerosis ("MS") and Spinal Cord Injury.

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

The Company's team is among the first to demonstrate formation of neurotrophic-factor secreting cells (glial-like cells) from in-vitro differentiated bone marrow cells that produce neurotrophic factors ("NTF") including GDNF, BDNF and additional factors. Moreover, in research conducted by this team, implantation of these differentiated cells into brains of animal models that had been induced to Parkinsonian behavior markedly improved their condition.

The Company's aim is to provide neural-supporting stem cell transplants that are expected to maintain, preserve and possibly restore the damaged neurons, protecting them from further degeneration.

The Company holds exclusive worldwide rights to commercialize the technology, through a licensing agreement with Ramot, the technology transfer company of Tel Aviv University, Israel.



As a result of limited cash resources and the desire to take a faster path to clinical trials, since the fourth quarter of 2008 the Company has focused all of its efforts on ALS, and is currently not allocating resources towards PD or other neurodegenerative diseases.

We are currently initiating the clinical developmental stage of our technology and we intend to begin the process of seeking regulatory approval from regulatory agencies in the U.S and Europe.

In Israel, we have obtained Institutional Review Board (“IRB”) approval for a Phase I/II clinical study in ALS patients at the Hadassah Medical Center. In October 2010, the Israeli Ministry of Health (“MOH”) granted clearance for a Phase I/II clinical trial using the Company’s autologous NurOwn™ stem cell therapy in patients with ALS. The clearance granted by the MOH to initiate the clinical trials was subject to some additional process specifications as well as completion of the sterility validation study for tests performed in the course of the process (in process controls) and at the end of the process. The sterility validation study reports were submitted to the MOH in February 2011 and we are currently awaiting final approval from the MOH.

In February 2011, the U.S. Food and Drug Administration (“FDA”) granted Orphan Drug designation to the Company’s NurOwn™ autologous adult stem cell product candidate for the treatment of ALS. Orphan Drug status entitles BrainStorm to seven years of marketing exclusivity for NurOwn™ upon regulatory approval, as well as the opportunity to apply for grant funding from the FDA of up to \$400,000 per year for four years to defray costs of clinical trial expenses, tax credits for clinical research expenses and potential exemption from the FDA's application user fee.

Our efforts are directed at:

- Finalizing a GMP compliant production process;
- Demonstrating safety in human ALS patients;
- Setting up centralized facilities to provide the therapeutic products and services for transplantation in patients in the US and in Europe, as part of the clinical development program; and
- Submitting an IND to the FDA.

#### Our Approach

Our research team led by Prof. Melamed and Prof. Offen has shown that human bone marrow mesenchymal stem cells can be expanded and induced to differentiate into two types of brain cells, neuron-like and astrocyte-like, each having different therapeutic potential, as follows:

NurOwn™ program one - Neurotrophic-factors (“NTF”) secreting cells (MSC-NTF) - human bone marrow derived NTF secreting cells for treatment of, ALS, PD and MS. In-vitro differentiation of the expanded human bone marrow derived mesenchymal stem cells in a proprietary medium led to the generation of neurotrophic-factors secreting cells. The in-vitro differentiated cells were shown to express and secrete GDNF, as well as other NTFs, into the growth medium. GDNF is a neurotrophic-factor, previously shown to protect, preserve and even restore neuronal function, particularly dopaminergic cells in PD, but also neuron function in other neurodegenerative pathologies such as ALS and Huntington’s disease. Unfortunately, therapeutic application of GDNF is hampered by its poor brain penetration and stability. Attempting to infuse the protein directly to the brain is impractical and the alternative, using GDNF gene therapy, suffers from the limitations and risks of using viral vectors. Our preliminary results show that our NTF secreting cells, when transplanted into a 6-OHDA lesion PD rat model, show significant efficacy. Within weeks of the transplantation, there was an improvement of more than 50% in the animals’ characteristic disease symptoms.

We have optimized the proprietary processes for induction of differentiation of human bone marrow derived mesenchymal stem cells into differentiated cells that produce NTF (MSC-NTF). The optimization and process



development is conducted in Good Manufacturing Practice (“GMP”) compliance.

NurOwn™ program two - Dopaminergic neuron-like cells - human bone marrow derived dopamine producing neural cells for restorative treatment in PD. Human bone marrow mesenchymal stem cells were isolated and expanded. Subsequent differentiation of the cell cultures in a proprietary differentiation medium generated cells with neuronal-like morphology and showing protein markers specific to neuronal cells. Moreover, the in-vitro differentiated cells were shown to express enzymes and proteins required for dopamine metabolism, particularly the enzyme tyrosine hydroxylase. Most importantly, the cells produce and release dopamine in-vitro. Further research consisting of implanting these cells in an animal model of PD (6-OHDA induced lesions), showed the differentiated cells exhibit long-term engraftment, survival and function in vivo. Most importantly, such implantation resulted in marked attenuation of their symptoms, essentially reversing their Parkinsonian movements.

Our technology is based on the NurOwn™ products - an autologous cell therapeutic modality, comprising the extraction of the patient bone marrow, which is then processed into the appropriate neuronal-like cells and re-implanted into the patient's muscles, spinal cord or brain. This approach is taken in order to increase patient safety and minimize any chance of immune reaction or cell rejection.

The therapeutic modality will comprise the following:

- Bone marrow aspiration from patient;
- Isolation and expansion of the mesenchymal stem cells;
- Differentiation of the expanded stem cells into neurotrophic-factor secreting cells; and
- Autologous transplantation into the patient into the site of damage.

#### Results of Operations

The Company has been a development stage company since its inception. For the period from inception (September 22, 2000) until March 31, 2011, the Company has not earned any revenues from operations. The Company does not expect to earn revenues from operations until 2013. In addition, the Company has incurred operating costs and other expenses of approximately \$528,000 during the three months ended March 31, 2011, and approximately \$38,056,000 for the period from inception (September 22, 2000) until March 31, 2011. Operating expenses incurred since inception were approximately \$15,056,000 for general and administrative expenses and \$23,000,000 for research and development costs.

#### Research and Development, net:

Research and development expenses, net for the three months ended March 31, 2011 and 2010 were \$270,000 and \$239,000, respectively. In addition, the Company grant from The Office of the Chief Scientist increased by \$26,000 to \$100,000 for the three months ended March 31, 2011 from \$84,000 for the three months ended March 31, 2010.

The increase in research and development expenses for the three months ended March 31, 2011 is primarily due to: (i) rent of clean rooms from Hadassah and (ii) the increase in development activities, including sterility validation studies and other tests required for clinical trials.

#### General and Administrative:

General and administrative expenses for the three months ended March 31, 2011 and 2010 were \$258,000 and \$370,000, respectively.

The decrease in general and administrative expenses for the three month period ended March 31, 2011 from the three month period ended March 31, 2010 is primarily due to a decrease of \$157,000 in compensation expenses for options granted to employees that was offset mainly by an increase in (i) legal and accounting costs and (ii) payroll costs to employees.

Financial Expenses:

Financial expenses increased by \$171,000 to expenses of \$177,000 for the three months ended March 31, 2011 from expenses of \$6,000 for the three months ended March 31, 2010.

The increase in financial expenses is primarily attributable to a conversion of a debt to a consultant to Common Stock of the Company.

Net Loss:

Net loss for the three months ended on March 31, 2011 was \$705,000, as compared to a net loss of \$615,000 for the three months ended March 31, 2010. Net loss per share for the three months ended March 31, 2011 was \$0.01, as it also was for the three months ended March 31, 2010.

The weighted average number of shares of common stock used in computing basic and diluted net loss per share for the three months ended March 31, 2011 was 108,895,199, compared to 81,560,155 for the three months ended March 31, 2010.

The increase in the weighted average number of shares of common stock used in computing basic and diluted net loss per share for the three months ended March 31, 2011 was due to (i) the issuances of shares in private placements, (ii) the conversion of convertible loans, (iii) the exercise of warrants and (iv) the issuance of shares to service providers.

Liquidity and Capital Resources

The Company has financed its operations since inception primarily through private sales of its common stock and warrants and the issuance of convertible promissory notes. At March 31, 2011, we had \$3,885,000 in total current assets and \$1,610,000 in total current liabilities.

Net cash used in operating activities was \$55,000 for the three months ended March 31, 2011. Cash used for operating activities in the three months ended March 31, 2011 was primarily attributed to payroll costs, rent of clean rooms and materials for clinical trials, rent, outside legal fee expenses and public relations expenses.

Net cash used in investing activities was \$36,000 for the three months ended March 31, 2011.

Net cash provided by financing activities was \$3,662,000 for the three months ended March 31, 2011 is primarily attributable to funds received from sale of Common Stock and warrants to private and institutional investors (which are described in more detail below).

Our material cash needs for the next 12 months include the payments due under an agreement with Hadassah to conduct clinical trials in ALS patients, under which we must pay to Hadassah an amount of (i) up to \$38,190 per patient (up to \$992,880 in the aggregate) and (ii) \$31,250 per month for rent and operation of the GMP facility in anticipation of Hadassah's clinical trials.

Our other material cash needs for the next 12 months will include payments of (i) employee salaries, (ii) patents, (iii) construction fees for facilities to be used in our research and development and (iv) fees to our consultants and legal advisors.



We will need to raise substantial additional capital in order to meet our anticipated expenses. If we are not able to raise substantial additional capital, we may not be able to continue to function as a going concern and we may have to cease operations. Even if we obtain funding sufficient to continue functioning as a going concern, 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 March 31, 2011. 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, 2010.

#### 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.

#### 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, as a result of the material weakness in our internal control over financial reporting described below, our disclosure controls and procedures were not 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.

##### Internal Control Over Financial Reporting

Management identified the following material weakness in its assessment of the effectiveness of internal control over financial reporting as of December 31, 2010, which continued to exist as of March 31, 2011:

- The Company did not maintain effective controls over certain aspects of the financial reporting process because we lacked a sufficient complement of personnel with a level of accounting expertise and an adequate supervisory review structure that is commensurate with the Company’s financial reporting requirements.

Nevertheless, based on a number of factors, including the performance of additional procedures performed by management designed to ensure the reliability of our financial reporting, our Chief Executive Officer and Chief Financial Officer believe that the consolidated financial statements included with this quarterly report fairly present, in all material respects, our financial position, results of operations, and cash flows as of the dates, and for the periods, presented, in conformity with U.S. GAAP.

##### Management’s Remediation Initiatives

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

##### Changes in Internal Control Over Financial Reporting

There have been no changes in our internal controls over financial reporting that occurred during the quarter ended March 31, 2011 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



PART II: OTHER INFORMATION

Item 1. Legal Proceedings.

For a description of legal proceedings affecting the Company refer to Part I, Item 3, "Legal Proceedings" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2010. There were no additional material developments to the legal proceedings affecting the Company in the fiscal quarter ended March 31, 2011.

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, other than as described in Part I, Item 3, "Legal Proceedings" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, 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, 2010. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors discussed below and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, 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, 2010 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 March 31, 2011, 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.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BRAINSTORM CELL THERAPEUTICS INC.

May 13, 2011

By: /s/ Adrian Harel  
Name: Adrian Harel  
Title: Acting Chief Executive Officer  
(Principal Executive Officer)

May 13, 2011

By: /s/ Liat Sossover  
Name: Liat Sossover  
Title: Chief Financial Officer (Principal  
Financial Officer)

EXHIBIT INDEX

Exhibit Number	Description
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.